

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF ORANGE CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

Prepared by the
Office of the City Administrator
Duane Feekes, City Administrator

CITY OF ORANGE CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010
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December 13, 2010

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Orange City:

State law requires the every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2010.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

William's & Company, Certified Public Accountants, have issued an unqualified opinion on the City of Orange City's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Orange City incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statue to extend its corporate limits by annexation, which it has done from time to time.

The City of Orange City operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the government's administrator, who in turn appoints the heads of the various departments with council approval. Council members

serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis.

The City Administrator has operating responsibilities for all City functions excluding the Library, Hospital, and Golf Association.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board, and golf course board of which is reported separately within the City of Orange City's financial statements. Additional information on the municipal hospital and golf course can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15th. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa budget law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

Local Economy

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being Staples, Inc., an advertising product manufacturer and promotional products, Advance Brands, Inc., a ready-to-cook food producer, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment.

Fiscal year 2009-2010 was another great year for the community of Orange City. Many exciting trends and projects are taking place that continue to improve the quality of life for its citizens.

The City completed a downtown streetscape project for this fiscal year. It was made up of five blocks of our downtown streets. We removed the asphalt and replaced with concrete. We also included in the project new street light poles and fixtures, new Christmas decorations, a new sound system, and flower pots attached to the street light poles. This project cost \$ 1.7 million dollars.

The city experienced a huge disaster on June 28, 2008. A fire broke out in our downtown district. It destroyed a quarter of a city square block. It destroyed a Hallmark Gift shop, and a clothing store. We have went out for bid and are constructing the two story building, we will be having retail space on the main level and five residential condo units on the upper level, with parking in the basement. The cost of this project is approximately \$ 2.8 million dollars.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

Long-Term financial planning

Management of the City of Orange City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 44 and 50 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

Awards and Acknowledgements

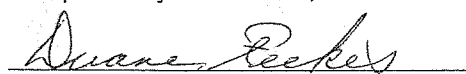
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) the year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Orange City has received a Certificate of Achievement for the last 27 consecutive years.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

Respectfully submitted,



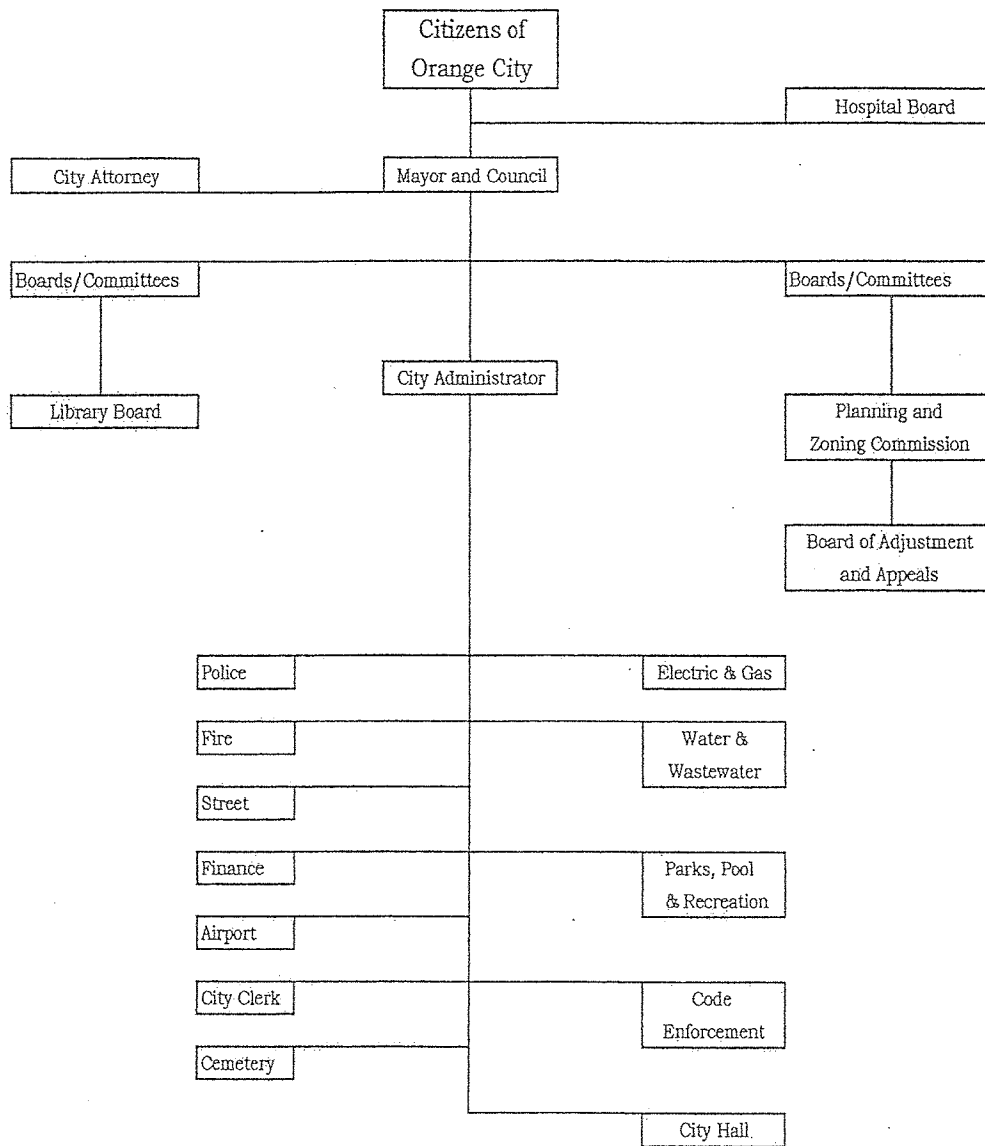
Duane Feekes
City Administrator



Kent Anderson
Finance Officer

CITY OF ORANGE CITY, IOWA

ORGANIZATIONAL CHART



CITY OF ORANGE CITY, IOWA

Directory of City Officials
Elected City Officers
June 30, 2010

MAYOR

Les Douma

COUNCIL MEMBERS

Rod De Boer
Steve Roesner
Mick Snieder
Bruce Muilenburg
Earl Woudstra

HOSPITAL TRUSTEES

Tim Zeutenhorst - Chairman
Randy Jacobsma – Vice Chairman
Russ Adams - Secretary
Shirley Van Wechel
Brenda Richardson
Gary Vande Vegte

APPOINTED CITY OFFICERS

Duane Feekes
City Administrator

Loren Veldhuizen
City Attorney

APPOINTED BOARDS AND COMMISSIONS

ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman
John Kooiman, Vice Chairman
Jason Bomgaars
Arlin Smit
Ben Van Engelenhoven

PLANNING AND ZONING COMMISSION

Mark Lundberg, Chairman
Dale Pluim, Vice Chairman
Rhonda Moret
Scott Heemstra
Amy Schutt
Scott Simmelink
Marlin Vollink

ARTS COUNCIL

Greg Haverdink, President
Bob Hubbard, Vice President
Mike Stokes, Treasurer
Rebecca Donahue
Lois Estell
Julia Huisman
Cheryl Kugler
Judy Thompson
Shelia Van Den Brink
Janine Calsbeek, Executive Director

LIBRARY BOARD OF DIRECTORS

Bruce Lefever, President
Mabel Mantel, Vice President
John Buntsma, Treasurer
Dan Pluim, Secretary
Joan Brower
Elizabeth Kensak
Colmann McAllister

FIRE DEPARTMENT

Steve Brouwer
Jason Bruinsma
Rob Bruxvoort
Arnie Carlson
Ryan Dau
Kevin Dekker
Brian De Kock
Jon DeKoster
Brad De Vos
Mike Dorr
Steve Distler
David Dykstra
Josh Dykstra
Michael Dykstra
Mel Elsberry
Jordan Gammon
Chad Hase
Tim Huffman
Al Jeltema
Ann Lundberg
Taylor Malm
Josh Meis
Nate Mosterd
Mike Ritz
Dan Roghair
Dan Schram
Bruce Schutt
Dennis Vander Wel, Chief
Brent Van Leeuwen

CITY PERSONNEL

ADMINISTRATION

Kent Anderson
Gary Blythe
Janet Brown
Duane Feekes
Ted Loucks
Ken Meendering
Barb Ramsey
Mary Wichers

Finance Officer
Assistant Administrator
City Clerk
City Administrator
Public Works Director
Code Officer
Billing Clerk
Receptionist/Secretary

POLICE DEPARTMENT

Dann De Vries
Peter De Beer
Duane Hulstein
Bruce Jacobsma
Jim Pottebaum
Wesley Van Voorst
Robert Van Zee

Chief of Police
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer

STREET DEPARTMENT

Luke Horkey
Don Snieder
Randy Van De Griend

Street Crewman
Street Crewman/Mechanic
Street Foreman

PARKS AND RECREATION

Mitch Aalbers
Brian Goslinga
Rochelle Sapp

Director
Park Maintenance
Pool/Fitness Director

MUNICIPAL BUILDINGS

Bill Van Marel, Jr.

Custodian

UTILITIES

Gerry Bomgaars
Alan De Boer
Alan De Jong
Ed De Jong
Michael Klootwyk
Kirk Maasdam
Jerry Reuvers
David Sassman
Arlan Scholten
Michael Verdoorn

Gas Utility Foreman
Electric Line Maintenance Worker I
Electric Line Maintenance Worker I
Gas Utility Crewman
Electric Line Maintenance Worker II
Water & Wastewater Operator
Water & Wastewater Operator
Water & Wastewater Foreman
Electric Department Foreman
Electric Line Maintenance Worker I

AIRPORT

Dan Vander Weide

Base Operator

HOSPITAL

Martin W. Guthmiller
Dina Baas

Administrator
Chief Financial Officer

LIBRARY

Karla Chase

Administrator

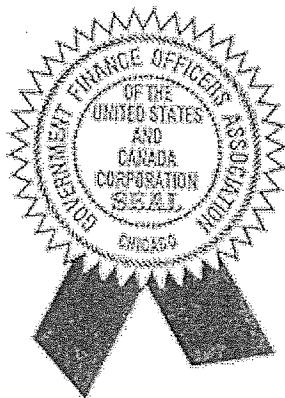
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



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P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$53,999,479 and total program revenues of \$34,768,498 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

Except as discussed below, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

We were engaged to audit the financial statements of Orange City Municipal Golf Association, a discretely presented component unit of the City. No opinion was issued on those financial statements due to the inability to satisfy the auditor of the completeness of revenue reported by the Association.

In our opinion and the report of other auditors, except for the effect of such adjustments, if any, as might have been determined to be necessary had the Association been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows,

where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 12 through 24 and 65 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Orange City, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company P.C.
Certified Public Accountants

Le Mars, Iowa
December 13, 2010

Management's Discussion and Analysis

June 30, 2010

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2010. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City's Hospital and Orange City Municipal Golf Association, discretely presented component units of the City.

Financial Highlights

- The assets of the City of Orange City exceeded liabilities at June 30, 2010 by \$29,815,764. Of this amount, \$5,641,807 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,031,324 during the year. Of this amount, the governmental activities decreased by \$ 138,037 and the net assets of our business activities increased by \$1,169,361, this includes a prior period adjustment of \$ 591,659.
- The City's long-term debt increased \$480,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2010 and 2009.

	General Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Current and Other Assets	\$ 5,079,897	\$ 4,788,257	\$ 9,842,424	\$ 8,911,061
Capital Assets	16,303,481	15,695,100	17,276,648	17,534,620
Total Assets	21,383,378	20,483,357	27,119,072	26,445,681
Long-Term Liabilities Outstanding	7,925,160	8,602,153	5,622,828	6,633,778
Other Liabilities	3,779,015	2,063,964	1,359,683	844,703
Total Liabilities	11,704,175	10,666,117	6,982,511	7,478,481
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,393,481	10,910,100	11,196,648	10,959,620
Restricted	1,469,772	1,101,603	1,106,148	1,103,948
Unrestricted	(2,184,050)	(2,194,463)	7,833,765	6,903,632
Total Net Assets	\$9,679,203	\$ 9,817,240	\$20,136,561	\$18,967,200

	Totals	
	2010	2009
Current and Other Assets	\$14,922,321	\$13,699,318
Capital Assets	33,580,129	33,229,720
Total Assets	48,502,450	46,929,038
Long-Term Liabilities Outstanding	13,547,988	15,235,931
Other Liabilities	5,138,698	2,908,667
Total Liabilities	18,686,686	18,144,598
Net Assets:		
Invested in Capital Assets, Net of Related Debt	21,590,129	21,869,720
Restricted	2,575,920	2,205,551
Unrestricted	5,649,715	4,709,169
Total Net Assets	\$29,815,764	\$28,784,440

This summary reflects a decrease of 1.41% for the governmental net assets and an increase of 6.17% in the business-type net assets. The business-type net asset increase is due to a prior period adjustment regarding Orange City Communications. See note 17 regarding explanation of adjustment.

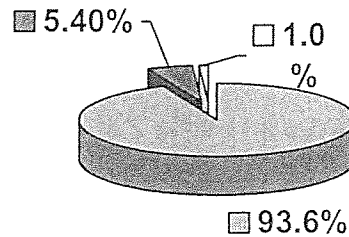
Total revenue reported in Fiscal 2010 was \$16,820,246. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2010 and 2009:

Revenue Source	General Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Program Revenues:				
Charges for Services	\$ 518,173	\$ 488,586	\$ 11,696,027	\$ 12,075,539
Operating Grants and Contributions	711,108	1,129,518	-	-
Capital Grants and Contributions	115,830	361,549	-	-
Total Program Revenues	<u>1,345,111</u>	<u>1,979,653</u>	<u>11,696,027</u>	<u>12,075,539</u>
General Revenues & Interfund Transfers:				
Property Taxes	2,715,434	2,671,193	-	-
Local Option Sales Tax	596,463	642,603	-	-
Interest	7,586	28,217	15,464	63,023
Gain on Sales of Assets	189,700	3,000	-	-
Miscellaneous	149,288	189,587	105,173	49,080
Total General Revenues	<u>3,658,471</u>	<u>3,534,600</u>	<u>120,637</u>	<u>112,103</u>
Interfund Transfers	281,967	319,120	(281,967)	(319,120)
Total General Revenues & Interfund Transfers:	<u>3,940,438</u>	<u>3,853,720</u>	<u>(161,330)</u>	<u>(207,017)</u>
Total Revenues & Interfund Transfers:	<u>\$ 5,285,549</u>	<u>\$ 5,833,373</u>	<u>\$ 11,534,697</u>	<u>\$ 11,868,522</u>

Revenue Source	Totals	
	2010	2009
Program Revenues:		
Charges for Services	\$ 12,214,200	\$ 12,564,125
Operating Grants and Contributions	711,108	1,129,518
Capital Grants and Contributions	115,830	361,549
Total Program Revenues	<u>13,041,138</u>	<u>14,055,192</u>
General Revenues & Interfund Transfers:		
Property Taxes	2,715,434	2,671,193
Local Option Sales Tax	596,463	642,603
Interest	23,050	91,240
Gain (Loss) on Sales of Assets	189,700	3,000
Miscellaneous	254,461	238,667
Total General Revenues	<u>3,779,108</u>	<u>3,646,703</u>
Interfund Transfers	-	-
Total General Revenues & Interfund Transfers:	<u>3,779,108</u>	<u>3,646,703</u>
Total Revenues & Interfund Transfers:	<u>\$ 16,820,246</u>	<u>\$ 17,701,895</u>

Program revenues totaled \$13,041,138 for fiscal year 2010. Governmental Activities provided \$1,345,111 and Business-Type Activities provided \$11,696,027. Revenue collected for Charges for Services during fiscal year 2010 was \$12,214,200, accounting for 93.6% of the total program revenues. The following chart breaks down program revenues by source:

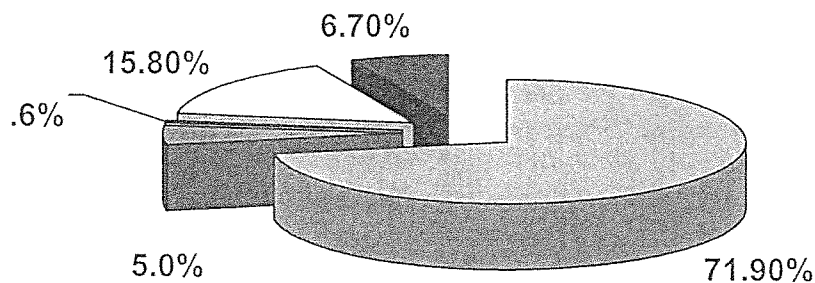
Program Revenues



- Program Revenue 93.60%
- Operating Grants and Contributions 5.40%

General Revenues for fiscal year 2010 totaled \$ 3,779,108. Governmental Activities provided \$3,940,438 and Business-Type Activities used \$161,330. Property Tax Revenues for fiscal year 2010 totaled \$2,715,434, accounting for 71.9% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



- Taxes 71.90%
- Loss on Sale of Assets 5.0%
- Interest .6%
- Local Option Sales Tax 15.80%
- Miscellaneous 6.70%

Expenses for Fiscal 2010 totaled \$ 16,380,581. Expenses for General Governmental Activities totaled \$ 5,423,586, accounting for 33% of total expenditures. Business-Type Activity expenditures totaled \$ 10,956,995, for 67% of the total.

The following table shows total expenditures by Function/Program for FY 2010 and FY 2009:

	General Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Public Safety	\$ 795,713	\$ 767,486	-	-
Public Works	1,121,275	1,842,509	-	-
Culture and Recreation	2,149,142	1,702,991	-	-
Community & Economic Development	475,593	418,230	-	-
General Government	543,010	451,379	-	-
Debt Service	338,853	404,733	-	-
Sewer System	-	-	\$ 533,308	\$ 477,046
Water System	-	-	845,775	762,179
Electric System	-	-	6,582,661	6,170,727
Natural Gas System	-	-	2,995,251	3,754,752
Total Expenditures	<u>5,423,586</u>	<u>5,587,328</u>	<u>10,956,995</u>	<u>11,164,704</u>

	Totals	
	2010	2009
Public Safety	\$ 795,713	\$ 767,486
Public Works	1,121,275	1,842,509
Culture and Recreation	2,149,142	1,702,991
Community & Economic Development	475,593	418,230
General Government	543,010	451,379
Debt Service	338,853	404,733
Sewer System	533,308	477,046
Water System	845,775	762,179
Electric System	6,582,661	6,170,727
Natural Gas System	2,995,251	3,754,752
Total Expenditures	<u>\$ 16,380,581</u>	<u>\$16,752,032</u>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System
Water System	Operation of Water Treatment Plant/Supply Distribution System
Electric System	Operation of Electric Plant/Supply Distribution System
Natural Gas System	Operation of Natural Gas Plant/Supply Distribution System

Governmental of Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$ 795,713 and received \$ 181,106 in revenue, thus leaving a cost to the taxpayer of \$ 614,607 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$5,423,586. Of these costs, \$518,173 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions was \$826,938, leaving a Net Expense of \$4,078,475 for Governmental Activities. These expenses of were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2010	2009
Governmental Activities:		
Public Safety	\$ (614,607)	\$ (474,604)
Public Works	(266,781)	(1,154,501)
Culture and Recreation	(1,910,476)	(1,458,360)
Community and Economic Development	(417,557)	(398,479)
General Government	(530,201)	(78,547)
Capital Projects	-	361,549
Debt Service	(338,853)	(404,733)
Total Net (Expense) Revenue Governmental Activities	(4,078,475)	(3,607,675)
General Revenues & Interfund Transfers	3,940,438	3,853,720
Change in Net Assets	\$ (138,037)	246,045

Total resources available during the year to finance governmental operations were \$15,102,789 consisting of Net Assets at July 1, 2009 of \$9,817,240, Program Revenues of \$1,345,111 and General Revenues of \$3,940,438. Total Governmental Activities during the year expended \$ 5,423,586; thus, Net Assets were decreased by \$138,037 to \$9,679,203.

Business Type Activities

Business Type Activities increased the City's net assets by \$577,702.

The cost of all Proprietary Activities this year was \$10,956,995. As shown in the Statement of Activities, the amounts paid by users of the systems was \$11,696,027, resulting in total Net Revenue for Business Type Activities of \$739,032. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2010	2009
Electric System	\$ 493,676	\$ 472,162
Water System	(59,979)	56,014
Sewer System	13,621	152,098
Natural Gas System	291,714	230,561
Total Net (Expense) Revenue Business-Type Activities	739,032	910,835
General Revenues & Interfund Transfers	(161,330)	(207,017)
Prior Period Adjustment	591,659	-
Change in Net Assets	\$ 1,169,361	\$ 703,818

Total resources available during the year to finance Proprietary Fund activities were \$31,093,556 consisting of Net Assets at July 1, 2009 of \$19,558,859, Program Revenues of \$11,696,027 and General Revenues of \$(161,330). Total Proprietary Fund Activities during the year expended \$10,956,995; thus Net Assets were increased by \$577,702 to \$20,136,561.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,988,982. The combined Governmental Funds balance increased \$215,050 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures exceeded revenues in the General fund by \$292,098.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, revenues exceeded expenditures by \$ 111,555.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax dollars to be used for property tax replacement and therefore transferred to the general fund.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

The Downtown Streetscape Fund is used to account for the construction and financing of the downtown streetscape project.

General Fund Budgetary Highlights

Comparing the fiscal year 2010 original (adopted) city wide amount of \$53,971,165 to the final budget amount of \$ 60,424,565 shows a net increase of \$ 6,453,400.

The following table shows the government wide budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 1,100,029	\$ 1,074,560	\$ 25,469
Public Works	1,080,836	1,128,217	(47,381)
Culture and Recreation	1,138,090	1,107,667	30,423
Community and Economic Development	585,617	345,945	239,672
General Government	618,192	601,476	16,716
Capital Projects	1,399,359	1,414,710	(15,351)
Debt Service	1,642,150	1,821,011	(178,861)
Business-Type Activities	52,860,292	46,050,377	6,809,915
Total Expenditures	\$ 60,424,565	\$ 53,543,963	\$ 6,880,602

During the year there was a \$ 6,453,400 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$ 357,400 supplemental appropriation to the fire department for a new aerial fire truck.
- \$ 84,000 supplemental appropriation to the street department for an extension of a sidewalk, and for excessive snow fall during the winter season, such as costs for labor and fuel.
- \$ 32,000 supplemental appropriation to the fitness center for new software package and for an employee change in group insurance.
- \$ 40,000 supplemental appropriation to our City Hall department for legal services.
- \$ 4,500,000 supplemental appropriation to our municipal hospital for under budgeting their operations for the year.
- \$ 800,000 supplemental appropriation to our capital projects fund for our downtown street construction project.
- \$ 640,000 supplemental appropriation to our debt service fund for refunding some debt.

A part of the increase was possible because of additional revenues. Those revenues included a FEMA grant for the excessive snow fall during the season, additional members to our fitness center, additional patient revenue from the hospital. The rest of the appropriations were paid with the fund balance from the general fund.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2010, was \$ 21,590,129 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2010 are as follows:

	General Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Land			\$ 40,562	
Infrastructure	\$ 3,433,196			
Buildings	-	\$ 84,400	3,800	
Improvements-Other than Buildings	190,616	301,425	12,813	\$ 45,028
Equipment	615,244	1,053,883	368,411	1,331,096
Utility Plant		404,509	297,621	586,920
Construction in Progress	1,271,473	717,695	1,307	-
Total Gross Additions	\$ 5,510,529	\$ 2,561,912	\$ 724,514	\$ 1,963,044

	Totals	
	2010	2009
Land	\$ 40,562	
Infrastructure	3,433,196	
Buildings	3,800	\$ 84,400
Improvements-Other Buildings	203,429	346,453
Equipment	983,655	2,384,979
Utility Plant	297,621	991,429
Construction in Progress	1,272,780	717,695
Total Expenditures	\$ 6,235,043	\$ 4,524,956

Construction In Progress at June 30, 2010 for governmental activities consisted of costs associated with Downtown Streetscape, Hawkeye Project, and Airport Improvements.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric distribution improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$14,840,000 of debt outstanding. Of this amount, \$ 8,760,000 comprises debt backed by the full faith and credit of the government. The remainder of \$ 6,080,000 is debt represented by bonds secured solely by the specified revenue sources (i.e., revenue bonds).

Debt administration is on track, with over 75% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$ 14,336,190. With outstanding General Obligation Debt applicable to this limit of \$8,760,000, we are utilizing 61.1% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Orange City worked hard in FY 2010 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

CITY OF ORANGE CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	Orange City Municipal Hospital	Orange City Municipal Golf Ass'n.
ASSETS					
Cash and Cash Equivalents	\$ 1,070,481	\$ 200,456	\$ 1,270,937	\$ 7,050,918	\$ 8,517
Investments	1,164,148	3,436,948	4,601,096	5,814,899	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	20,211	862,351	882,562	3,947,408	-
Taxes	14,171	-	14,171	-	-
Subsequent Year Taxes	2,575,299	-	2,575,299	-	-
Accrued Interest	301	2,228	2,529	20,553	-
Other	-	10,498	10,498	-	-
Estimated Unbilled Usage	-	400,647	400,647	-	-
Special Assessments	56,516	-	56,516	-	-
Pledges Receivable	-	19,809	19,809	-	-
Notes Receivable	-	112,544	112,544	-	-
Interfund Balances	(177,917)	177,917	-	-	-
Due from Other Governmental Agencies	134,695	374,133	508,828	-	-
Inventories	14,640	443,233	457,873	499,271	3,692
Prepaid Assets	73,705	49,902	123,607	186,609	-
Investment in Joint Venture	-	2,513,436	2,513,436	-	-
Other	-	-	-	460,477	-
Restricted Assets, Cash and Investments:					
Cash and Cash Equivalents	-	389	389	2,931,135	-
Revenue Bond Current Debt Service Account - Investment	-	370,000	370,000	-	-
Revenue Bond Future Debt Service Account - Investment	-	801,500	801,500	-	-
Pledges Receivable	-	-	-	8,475	-
Bond Issue Costs	133,647	66,433	200,080	69,383	-
Land	759,438	380,478	1,139,916	1,495,823	-
Construction in Progress	141,979	1,307	143,286	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	15,402,064	16,894,863	32,296,927	31,514,528	1,582,643
Total Assets	21,383,378	27,119,072	48,502,450	53,999,479	1,594,852
LIABILITIES					
Accounts Payable	237,159	703,911	941,070	1,501,461	-
Accrued Wages	20,267	9,312	29,579	2,546,178	4,086
Accrued Expenses	-	26,995	26,995	148,725	-
Customer Deposits	-	27,195	27,195	-	-
Unearned Revenue	-	-	-	-	5,469
Deferred Revenue - Subsequent Year Taxes	2,575,299	-	2,575,299	-	-
Accrued Interest	25,691	-	25,691	-	-
Due to Other Governments	-	-	-	-	374,133
Payables from Restricted Assets:					
Accrued Interest	-	65,741	65,741	439,833	-
Revenue Bonds - Current	-	510,000	510,000	692,000	-
Noncurrent Liabilities:					
Due within one year:					
General Obligation Bonds	850,000	-	850,000	-	-
Compensated Absences and Benefits	70,599	16,529	87,128	-	-
Due in more than one year:					
Revenue Bonds Payable	-	5,570,000	5,570,000	24,677,505	-
General Obligation Bonds	7,910,000	-	7,910,000	-	-
Other Post Employment Benefits	15,160	8,528	23,688	-	-
Compensated Absences and Benefits, Long-Term	-	44,300	44,300	-	-
Total Liabilities	11,704,175	6,982,511	18,686,686	30,005,702	383,688
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	10,393,481	11,196,648	21,590,129	7,640,846	1,582,643
Restricted for:					
Debt Service	16,511	1,106,148	1,122,659	2,377,348	-
Permanent Funds - nonexpendable	82,825	-	82,825	-	-
Specific Revenues	1,370,436	-	1,370,436	-	-
Donor Restrictions	-	-	-	18,012	-
Unrestricted	(2,184,050)	7,833,765	5,649,715	13,957,571	(371,479)
Total Net Assets	\$ 9,679,203	\$ 20,136,561	\$ 29,815,764	\$ 23,993,777	\$ 1,211,164

CITY OF ORANGE CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 795,713	\$ 22,835	\$ 158,271	\$ -
Public Works	1,121,275	226,434	512,230	115,830
Culture and Recreation	2,149,142	198,059	40,607	-
Community and Economic Development	475,593	58,036	-	-
General Government	543,010	12,809	-	-
Debt Service	338,853	-	-	-
Total governmental activities	5,423,586	518,173	711,108	115,830
Business-Type Activities:				
Electric Utility	6,582,661	7,076,337	-	-
Water Utility	845,775	785,796	-	-
Sewer Utility	533,308	546,929	-	-
Gas Utility	2,995,251	3,286,965	-	-
Total Business-Type Activities:	10,956,995	11,696,027	-	-
Total Primary Government	\$ 16,380,581	\$ 12,214,200	\$ 711,108	\$ 115,830
Component Unit:				
Orange City Municipal Hospital	35,093,382	34,640,635	127,863	-
Orange City Municipal Golf Association	\$ 565,022	\$ 364,168	\$ 156,348	\$ -

General Revenues:
Property taxes
Local Option Sales Tax
Hotel Motel Tax
Interest
Gain on Sale of Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net Assets - beginning as restated
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Orange City Municipal Hospital	Orange City Municipal Golf Ass'n.
\$ (614,607)		\$ (614,607)		
(266,781)		(266,781)		
(1,910,476)		(1,910,476)		
(417,557)		(417,557)		
(530,201)		(530,201)		
(338,853)		(338,853)		
<u>(4,078,475)</u>		<u>(4,078,475)</u>		
	\$ 493,676	493,676		
	(59,979)	(59,979)		
	13,621	13,621		
	291,714	291,714		
	<u>739,032</u>	<u>739,032</u>		
<u>(4,078,475)</u>	<u>739,032</u>	<u>(3,339,443)</u>		
			(324,884)	
				(44,506)
2,715,434	-	2,715,434		
567,477	-	567,477		
28,986	-	28,986		
7,586	15,464	23,050	173,538	
189,700	-	189,700		
149,288	105,173	254,461	(647)	
281,967	(281,967)	-		
<u>3,940,438</u>	<u>(161,330)</u>	<u>3,779,108</u>	<u>172,891</u>	<u>-</u>
<u>(138,037)</u>	<u>577,702</u>	<u>439,665</u>	<u>(151,993)</u>	<u>(44,506)</u>
9,817,240	18,967,200	28,784,440	24,145,770	1,255,670
-	591,659	591,659	-	-
9,817,240	19,558,859	29,376,099	24,145,770	1,255,670
<u>\$ 9,679,203</u>	<u>\$ 20,136,561</u>	<u>\$ 29,815,764</u>	<u>\$ 23,993,777</u>	<u>\$ 1,211,164</u>

CITY OF ORANGE CITY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2010

	General	Road Use Tax	Local Option Sales Tax	Debt Service
Assets				
Cash and Pooled Investments	\$ 173,972	\$ 353,119	\$ 70,801	\$ 35,934
Investments	631,323	-	450,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	20,211	-	-	-
Taxes	7,903	-	-	6,268
Subsequent Year Taxes	1,232,192	-	-	1,098,107
Accrued Interest	165	-	136	-
Special Assessments	56,516	-	-	-
Due from Other Funds	225,829	-	-	-
Due from Other Governmental Agencies	8,131	30,945	95,619	-
Inventories	-	14,640	-	-
Total Assets	2,356,242	398,704	616,556	1,140,309
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	168,678	-	-	-
Accrued Wages	20,267	-	-	-
Due to Other Funds	157,500	-	-	-
Deferred Revenue	50,838	-	-	-
Deferred Revenue - Subsequent Year Taxes	1,232,192	-	-	1,098,107
Total Liabilities	1,629,475	-	-	1,098,107
Fund Balances:				
Reserved for:				
Debt Service	-	-	-	42,202
Perpetual Care	-	-	-	-
Inventories	-	14,640	-	-
Unreserved				
Special Revenue Funds	-	384,064	616,556	-
Capital Project Funds	-	-	-	-
General Fund	726,767	-	-	-
Total Fund Balances (Deficits)	726,767	398,704	616,556	42,202
Total Liabilities and Equity	\$ 2,356,242	\$ 398,704	\$ 616,556	\$ 1,140,309

See Accompanying Notes to Financial Statements

Downtown Streetscape	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 436,655	\$ 1,070,481
-	82,825	1,164,148
-	-	20,211
-	-	14,171
-	245,000	2,575,299
-	-	301
-	-	56,516
-	-	225,829
-	-	134,695
-	-	14,640
-	764,480	5,276,291

24,981	43,500	237,159
-	-	20,267
135,256	110,990	403,746
-	-	50,838
-	245,000	2,575,299
160,237	399,490	3,287,309

-	-	42,202
-	82,825	82,825
-	-	14,640
-	355,176	1,355,796
(160,237)	(73,011)	(233,248)
-	-	726,767
(160,237)	364,990	1,988,982
\$ -	\$ 764,480	\$ 5,276,291

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 29)	\$ 1,988,982
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,303,481
Deferred revenues that provide current financial resources for governmental activities	50,838
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(25,691)
Accrued compensated absences and other post employment benefits not reported on the modified accrual basis	(85,759)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	133,647
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	73,705
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(8,760,000)</u>
Total Net Assets - Governmental Activities (page 25)	<u><u>\$ 9,679,203</u></u>

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2010

	General	Road Use Tax	Local Option Sales Tax	Debt Service
Revenue:				
Taxes	\$ 1,148,175	\$ -	\$ -	\$ 1,002,657
Special Assessments	-	-	-	-
Licenses and Permits	3,927	-	-	-
Intergovernmental	315,383	511,555	-	-
Charges for Services	432,831	-	-	-
Fines and Forfeits	28,798	-	-	-
Contributions from Property Owners	5,005	-	-	-
TIF Revenue	263,826	-	-	-
Local Option Sales Tax	28,986	-	567,477	-
Proceeds from Sale of Real Estate	-	-	-	-
Interest on Investments	5,350	-	2,142	94
Miscellaneous	147,987	-	-	-
Total Revenue	2,380,268	511,555	569,619	1,002,751
Expenditures:				
Public Safety	1,074,560	-	-	-
Public Works	1,128,842	-	-	-
Culture and Recreation	1,107,667	-	-	-
Community and Economic Development	345,945	-	-	-
General Government	601,476	-	-	-
Capital Projects	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	1,325,000
Interest	5,200	-	-	309,570
Total Expenditures	4,263,690	-	-	1,634,570
Excess (deficiency) of revenues over expenditures	(1,883,422)	511,555	569,619	(631,819)
Other financing sources (uses):				
Proceeds from Sale of Assets	27,850	-	-	-
Issuance of Debt	300,000	-	-	625,000
Transfers In	1,273,474	-	-	-
Transfers Out	(10,000)	(400,000)	(591,507)	-
Total other financing sources (uses)	1,591,324	(400,000)	(591,507)	625,000
Net Change in Fund Balance	(292,098)	111,555	(21,888)	(6,819)
Fund balances (Deficits)-beginning of year	1,018,865	286,524	638,444	49,021
Increase in Reserve for Inventory	-	625	-	-
Fund balances (Deficits)- end of year	\$ 726,767	\$ 398,704	\$ 616,556	\$ 42,202

See Accompanying Notes to Financial Statements

Downtown Streetscape	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,150,832
32,393	\$ -	32,393
-	-	3,927
-	-	826,938
-	-	432,831
-	-	28,798
-	-	5,005
-	299,488	563,314
-	-	596,463
-	161,850	161,850
-	-	7,586
8,400	8,120	164,507
40,793	469,458	4,974,444
-	-	1,074,560
-	-	1,128,842
-	-	1,107,667
-	-	345,945
-	-	601,476
1,248,335	166,375	1,414,710
-	125,000	1,450,000
26,145	30,096	371,011
1,274,480	321,471	7,494,211
(1,233,687)	147,987	(2,519,767)
-	-	27,850
1,500,000	-	2,425,000
10,000	-	1,283,474
-	-	(1,001,507)
1,510,000	-	2,734,817
276,313	147,987	215,050
(436,550)	217,003	1,773,307
-	-	625
\$ (160,237)	\$ 364,990	\$ 1,988,982

CITY OF ORANGE CITY, IOWA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 32)	\$ 215,675
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,077,333	
Depreciation expense	<u>(1,465,386)</u>	611,947

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.	(3,566)
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Revenues reported in the funds that are not available to provide current financial resources	1,288
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Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources	3,687
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Accrued interest expense that does not require current financial resources	8,629
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Long-term accrual of compensated absences and post employment benefits are not reported in the governmental funds as it does not consume current financial resources. The net change is in the long-term compensated absences for the year was:	(19,026)
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The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(2,425,000)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	18,329
---	--------

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>1,450,000</u>
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Change in net assets of governmental activities (page 27)	<u>\$ (138,037)</u>
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CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2010

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,530	\$ 125,738	23,671
Investments	1,565,757	635,000	586,191
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	649,699	68,065	42,458
Accrued Interest	922	429	422
Other	4,798	1,225	725
Estimated Unbilled Usage	303,248	28,789	19,156
Pledges Receivable	-	-	19,809
TIF Receivable	67,644	-	44,900
Due from Other Funds	157,500	20,417	-
Due from Other Governmental Agencies	374,133	-	-
Inventories	398,897	18,693	-
Prepaid Assets	21,896	12,202	9,080
Total Current Assets	<u>3,548,024</u>	<u>910,558</u>	<u>746,412</u>
Non Current Assets			
Investment in Joint Venture	1,662,803	850,633	-
Restricted Assets:			
Revenue Bond Current Debt Service - Cash	389	-	-
Revenue Bond Current Debt			
Service Account - Investment	150,000	135,000	60,000
Revenue Bond Future Debt			
Service Account - Investment	236,500	255,000	150,000
Bond Issue Costs	25,695	24,323	3,432
Land	27,539	103,786	249,153
Construction in Progress	1,307	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	7,116,110	4,526,928	3,778,400
Total Noncurrent Assets	<u>9,220,343</u>	<u>5,895,670</u>	<u>4,240,985</u>
Total Assets	<u>12,768,367</u>	<u>6,806,228</u>	<u>4,987,397</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	525,440	27,179	13,846
Accrued Wages	4,391	2,048	1,358
Accrued Expenses	19,833	3,428	1,243
Customer Deposits	15,545	-	-
Due to Other Funds	138,826	-	-
Payables from Restricted Assets:			
Accrued Revenue Bond Interest	16,069	36,179	5,196
Revenue Bonds - Current	200,000	105,000	110,000
Total Current Liabilities	<u>920,104</u>	<u>173,834</u>	<u>131,643</u>
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	9,730	1,922	2,616
Due in more than one year:			
Revenue Bonds Payable	2,165,000	1,850,000	500,000
Other Post Employment Benefits	4,974	2,132	-
Compensated Absences and Benefits, Long-Term	24,848	8,484	4,136
Total Liabilities	<u>3,124,656</u>	<u>2,036,372</u>	<u>638,395</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,779,956	2,675,714	3,417,553
Restricted for:			
Debt Service	370,820	353,821	204,804
Unrestricted	4,492,935	1,740,321	726,645
Total Net Assets	<u>\$ 9,643,711</u>	<u>\$ 4,769,856</u>	<u>\$ 4,349,002</u>

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 47,517	\$ 200,456
650,000	3,436,948
102,129	862,351
455	2,228
3,750	10,498
49,454	400,647
-	19,809
-	112,544
138,826	316,743
-	374,133
25,643	443,233
6,724	49,902
<u>1,024,498</u>	<u>6,229,492</u>
-	2,513,436
-	389
25,000	370,000
160,000	801,500
12,983	66,433
-	380,478
-	1,307
<u>1,473,425</u>	<u>16,894,863</u>
<u>1,671,408</u>	<u>21,028,406</u>
<u>2,695,906</u>	<u>27,257,898</u>
137,446	703,911
1,515	9,312
2,491	26,995
11,650	27,195
-	138,826
8,297	65,741
95,000	510,000
<u>256,399</u>	<u>1,481,980</u>
2,261	16,529
1,055,000	5,570,000
1,422	8,528
6,832	44,300
<u>1,321,914</u>	<u>7,121,337</u>
323,425	11,196,648
176,703	1,106,148
873,864	7,833,765
<u>\$ 1,373,992</u>	<u>\$ 20,136,561</u>

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Proprietary Funds
 For the Year Ended June 30, 2010

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
Operating Revenues:			
Charges for Services	\$ 7,076,337	\$ 785,796	\$ 546,929
Total Operating Revenue	<u>7,076,337</u>	<u>785,796</u>	<u>546,929</u>
Operating Expenses:			
Production	4,864,541	174,439	98,068
Transmission	241,874	869	-
Distribution / Collection	456,292	147,356	90,249
Administrative and General	292,413	150,154	119,083
Depreciation	476,657	235,818	184,270
Total Operating Expenses	<u>6,331,777</u>	<u>708,636</u>	<u>491,670</u>
Operating Income	744,560	77,160	55,259
Non-Operating Income (Expense):			
Interest Income	6,832	3,895	2,607
Other Non-operating Revenues	25,937	58,359	20,808
Interest Expense	(103,259)	(90,147)	(36,646)
Other Non-operating Expenses	(147,625)	(46,992)	(4,992)
Total Non-Operating Income (Expenses)	<u>(218,115)</u>	<u>(74,885)</u>	<u>(18,223)</u>
Income before Transfers	526,445	2,275	37,036
Transfers Out	<u>(235,967)</u>	<u>(23,000)</u>	<u>(23,000)</u>
Change in Net Assets	290,478	(20,725)	14,036
Net Assets - Beginning	9,353,233	4,198,922	4,334,966
Prior Period Adjustment	-	591,659	-
Net Assets - Beginning (Restated)	<u>9,353,233</u>	<u>4,790,581</u>	<u>4,334,966</u>
Net Assets - Ending	<u>\$ 9,643,711</u>	<u>\$ 4,769,856</u>	<u>\$ 4,349,002</u>

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 3,286,965	\$ 11,696,027
3,286,965	11,696,027
-	5,137,048
2,599,620	2,842,363
135,801	829,698
134,288	695,938
70,944	967,689
2,940,653	10,472,736
346,312	1,223,291
2,130	15,464
69	105,173
(54,598)	(284,650)
-	(199,609)
(52,399)	(363,622)
293,913	859,669
-	(281,967)
293,913	577,702
1,080,079	18,967,200
-	591,659
1,080,079	19,558,859
\$ 1,373,992	\$ 20,136,561

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 7,015,046	\$ 799,808	\$ 602,037
Cash Paid to Suppliers for Goods and Services	(5,254,183)	(209,013)	(159,592)
Cash Paid to Employees for Services	(523,687)	(262,353)	(173,420)
Other Nonoperating Income	25,937	58,359	20,808
Other Nonoperating Expenses	(147,625)	(46,992)	(4,992)
Net Cash Provided by Operating Activities	<u>1,115,488</u>	<u>339,809</u>	<u>284,841</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) Decrease in Investment in Joint Venture	13,863	166,026	-
Acquisition and Construction of Capital Assets	(294,652)	(216,322)	(148,046)
Principal Paid on Notes and Bonds	(195,000)	(105,000)	(105,000)
Interest Paid on Notes and Bonds	(99,662)	(88,483)	(36,216)
Net Cash (Used) for Capital and Related Financing Activities	<u>(575,451)</u>	<u>(243,779)</u>	<u>(289,262)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	(235,967)	(23,000)	(23,000)
Advances From (To) Other Funds	17,500	-	-
TIF Receivable	56,567		2,902
Due From Other Governments	(374,133)		
Due From (To) Other Funds	12,766	332,883	144,146
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(523,267)</u>	<u>309,883</u>	<u>124,048</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investment Securities	(27,257)	(375,000)	(236,191)
Interest and Dividends on Investments	11,089	4,531	3,696
Net Cash Provided (Used) for Investing Activities	<u>(16,168)</u>	<u>(370,469)</u>	<u>(232,495)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	602	35,444	(112,868)
Cash and Cash Equivalents at Beginning of Year	<u>3,317</u>	<u>90,294</u>	<u>136,539</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,919</u>	<u>\$ 125,738</u>	<u>\$ 23,671</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
	Gas Utility	Total
\$	3,287,589	\$ 11,704,480
	(2,691,906)	(8,314,694)
	(171,636)	(1,131,096)
	69	105,173
	-	(199,609)
	<u>424,116</u>	<u>2,164,254</u>
	-	179,889
	(50,697)	(709,717)
	(90,000)	(495,000)
	(52,844)	(277,205)
	<u>(193,541)</u>	<u>(1,302,033)</u>
	-	(281,967)
	-	17,500
		59,469
		(374,133)
	(138,826)	350,969
	<u>(138,826)</u>	<u>(228,162)</u>
	(250,000)	(888,448)
	<u>2,389</u>	<u>21,705</u>
	(247,611)	(866,743)
	(155,862)	(232,684)
	<u>203,379</u>	<u>433,529</u>
\$	<u>47,517</u>	\$ <u>200,845</u>

continued

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 744,560	\$ 77,160	\$ 55,259
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	476,657	235,818	184,270
Other Non-Operating Income	25,937	58,359	20,808
Other Non-Operating Expenses	(147,625)	(46,992)	(4,992)
(Increase) Decrease in Assets:			
Accounts Receivable	(60,391)	14,012	55,108
Inventories	58,316	(1,399)	
Prepaid Expenses	(2,097)	(545)	(972)
Increase (Decrease) in Liabilities			
Accounts Payable	33,649	10,439	(18,587)
Accrued Wages and Compensated Absences	(12,019)	(6,874)	(6,085)
Accrued Expenses	(3,086)	(169)	32
Customer Deposits	(900)		-
OPEB Liability	2,487	-	-
Total Adjustments	370,928	262,649	229,582
Net Cash Provided by Operating Activities	1,115,488	339,809	284,841
Cash and Cash Equivalents	3,530	125,738	23,671
Revenue Bond Current Debt Service	389	-	-
Total Cash and Cash Equivalents	\$ 3,919	\$ 125,738	\$ 23,671

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 346,312	\$ 1,223,291
70,944	967,689
69	105,173
-	(199,609)
183	8,912
3,183	60,100
(529)	(4,143)
6,006	31,507
(4,363)	(29,341)
449	(2,774)
440	(460)
1,422	3,909
77,804	940,963
424,116	2,164,254
47,517	200,456
-	389
\$ 47,517	\$ 200,845

CITY OF ORANGE CITY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
June 30, 2010

ASSETS

Cash and Cash Equivalents	\$ 36,781
Total Assets	<u>36,781</u>

LIABILITIES

Accounts Payable	<u>36,781</u>
Total Liabilities	<u>\$ 36,781</u>

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Orange City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Orange City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data. The municipal hospital is financially accountable to the City through budget responsibilities and debt issue restrictions.

Discretely Presented Component Unit - Orange City Municipal Golf Association's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. The Municipal Golf Association is financially accountable to the City through the City's involvement in providing the Association with financing and subsidizing Association operating losses.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

B. Basic Financial Statements-Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Project Fund – Downtown streetscape is used to account for construction and financing of a downtown streetscape project.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency fund includes the payroll clearing fund.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the Public Works, Capital Projects, and Debt Service functions.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
<u>City</u> Nonnegotiable Certificates of Deposit Iowa Public Agency Investment Trust	Cost Fair Value determined by current share price
<u>Component Unit</u> Interest-earning investment contracts Nonnegotiable certificates of deposit	Cost
<u>Open-end mutual funds</u> (governmental external investment pool registered As an investment company)	Fair Value determined by current share price
<u>Publicly traded mutual funds</u>	Fair Value based on quoted market prices
<u>Debt Securities</u> Negotiable certificates of deposit and U.S. Government Agency Securities Maturity of one year or less when purchased Maturity to more than one year when purchased	Amortized cost Fair Value based on quoted Market prices

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009. Any county collections on the 2009-2010 tax levy remitted to the City within 60 days subsequent to June 30, 2010, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2010, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component units is valued at cost using FIFO.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Restricted Assets

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

L. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings & Improvements	25 – 50 Years
Land Improvements	20 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 – 20 Years
Vehicles	5 – 20 Years
Infrastructure	10 – 65 Years

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability for this and any related benefits is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts and related benefits is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Q. Landfill Closure Costs

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2010, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30 the primary governments investments were reported at amortized cost as follows:

	Credit Risk	Maturities	Fair Value	Interest Rates
Negotiable Certificates of Deposit	N/A	7/2010-05/2011	\$ 5,708,897	.20-.50%
Iowa Public Agency Investment Trust	Not Rated	Daily	63,699	.81%
Totals			<u>\$ 5,772,596</u>	

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

As of June 30, 2010, the City's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

Interest Rate Risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Component Unit: The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2010, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	<u>Maturities</u>	
Edward D. Jones & Co., money market funds	Daily	\$ 3,699
Negotiable certificates of deposit	05/16/11-05/14/12	125,000
U.S. Government agency securities	01/15/15-11/01/31	286,908
Mutual Funds	Daily	844,308
Iowa Public Agency Investment Trust	Daily	3,158,063
Totals		<u>\$ 4,417,978</u>

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

There were no significant changes in investments held during the fiscal year ended June 30, 2010.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 3 - PLEDGES RECEIVABLE

At June 30, 2010, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus.

A summary of the activity in pledges receivable for the year ended June 30, 2010 is as follows:

Beginning pledges receivable	\$ 41,313
Pledges made during the year	4,502
Pledge payments received	(35,998)
Decrease in allowance for uncollectible pledges receivable	(1,342)
Total	<u>\$ 8,475</u>

Pledges receivable are expected to be received during the fiscal year ending June 30, 2011.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2010, amounts due from other governments were as follows:

Due from Orange City Municipal Golf Association	\$ 374,133
Due from FEMA for Snow Disaster Grant	7,769
Due from the Iowa Department of Transportation for road use tax allocations	30,945
Due from Sioux County for court fees and fines	362
Due from the State of Iowa for local option sales taxes	95,619
Total Due from Other Governments	<u>\$ 508,828</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2010, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 90,573
Electric Fund	General Fund	157,500
General Fund	Downtown Streetscape	135,256
Water Fund	Nonmajor Governmental Fund	20,417
Gas Fund	Electric Fund	138,826
		<u>\$ 542,572</u>

Interfund receivables and payables are used to record negative pooled cash and to record money advanced to internally finance various projects.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 759,438	\$ -	\$ -	\$ 759,438
Construction in Progress	2,303,702	1,271,473	3,433,196	141,979
Total capital assets not being depreciated	3,063,140	1,271,473	3,433,196	901,417
Capital assets being depreciated:				
Buildings	4,987,107	-	-	4,987,107
Improvements	3,944,583	190,616	-	4,135,199
Equipment	2,562,397	615,244	102,356	3,075,285
Infrastructure	28,544,332	3,433,196	-	31,977,528
Total capital assets being depreciated	40,038,419	4,239,056	102,356	44,175,119
Less: Accumulated Depreciation for:				
Buildings	2,684,235	150,383	-	2,834,618
Improvements	1,160,593	160,931	-	1,321,524
Equipment	1,420,469	218,163	98,790	1,539,842
Infrastructure	22,141,162	935,909	-	23,077,071
Total Accumulated Depreciation	27,406,459	1,465,386	98,790	28,773,055
Total capital assets being depreciated, net	12,631,960	2,773,670	3,566	15,402,064
Governmental activities capital assets, net	\$ 15,695,100	\$ 4,045,143	\$ 3,436,762	\$16,303,481

Construction in progress at June 30, 2010, for the governmental activities consisted of airport improvements.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2009	Additions	Deletions	Reclassifications	Balance June 30, 2010
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 339,916	\$40,562	\$ -	\$ -	\$ 380,478
Construction in Progress	-	1,307	-	-	1,307
Total capital assets not being depreciated	339,916	41,869	-	-	381,785
Capital assets being depreciated:					
Buildings	3,307,658	3,800	-	25,189	3,336,647
Improvements	125,588	12,813	-	(27,598)	110,803
Equipment	3,840,497	368,411	55,792	110,778	4,263,894
Utility Plant	25,057,495	297,621	-	(139,164)	25,215,952
Total capital assets being depreciated	32,331,238	682,645	55,792	(30,795)	32,927,296
Less: Accumulated Depreciation for:					
Buildings	1,116,623	80,534	-	2,521	1,199,678
Improvements	84,822	3,024	-	(2,517)	85,329
Equipment	2,488,757	254,461	40,995	119,761	2,821,984
Utility Plant	11,446,332	629,670	-	(150,560)	11,925,442
Total Accumulated Depreciation	15,136,534	967,689	40,995	30,795	16,032,433
Total capital assets being depreciated, net	17,194,704	(285,044)	14,797	-	16,894,863
Business-type activities capital assets, net	\$17,534,620	(243,175)	\$ 14,797	\$ -	\$ 17,276,648

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Public Safety	\$ 112,547
Public Works	1,123,688
Culture and Recreation	213,639
General Government	15,512

Total depreciation expense – governmental activities \$ 1,465,386

Business-Type Activities:

Electric	\$ 476,657
Water	235,818
Sewer	184,270
Gas	70,944

Total depreciation expense – business-type activities \$ 967,689

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component units are as follows:

Orange City Municipal Hospital

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 1,139,373	\$ 356,450	\$ -	\$ 1,495,823
Total capital assets not being depreciated	1,139,373	356,450		1,495,823
Capital assets being depreciated:				
Land Improvements	2,332,209	-	-	2,332,209
Buildings	17,652,859	-	-	17,652,859
Fixed Equipment	23,342,850	32,332	-	23,375,182
Major Movable Equipment	12,221,429	699,743	170,338	12,750,834
Total capital assets being depreciated	55,549,347	732,075	170,338	56,111,084
Less: Accumulated Depreciation	21,812,702	2,954,192	170,338	24,596,556
Total capital assets being depreciated, net	33,736,645	(2,222,117)	-	31,514,528
Governmental Activities Capital Assets-net	\$ 34,876,018	\$ (1,865,667)	\$ -	\$ 33,010,351

Orange City Municipal Golf Association

	Balance January 1, 2009	Additions	Disposals	Balance December 31, 2009
Golf Course and Trail	\$ 1,499,170	\$ 6,971	\$ 13,088	\$ 1,493,053
Buildings	560,714	-	-	560,714
Equipment	343,124	-	-	343,124
Total	2,403,008	6,971	13,088	2,396,891
Less Accumulated Depreciation	758,139	69,197	13,088	814,248
Property and Equipment - Net	\$ 1,644,869	\$ (62,226)	\$ -	\$ 1,582,643

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS – (Continued)

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit	
			Hospital	Golf Course
Land	\$ 759,438	\$ 380,478	\$ 1,495,823	\$ -
Construction in Progress	141,979	1,307	-	-
Capital Assets (net of accumulated depreciation)	15,402,064	16,894,863	31,514,528	1,582,643
Less: General Obligation Bonds Payable	5,910,000	-	-	-
Revenue Bonds	-	6,080,000	25,369,505	-
Investment in Capital Assets, Net of Related Debt	\$ 10,393,481	\$ 11,196,648	\$ 7,640,846	\$ 1,582,643

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities	1.45 – 6.10%	\$ 8,760,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 850,000	\$ 318,806	\$ 1,168,806
2012	850,000	296,496	1,146,496
2013	820,000	272,403	1,092,403
2014	855,000	246,683	1,101,683
2015	835,000	218,393	1,053,393
2016-2020	3,260,000	646,753	3,906,753
2021-2025	1,195,000	171,433	1,366,433
2026-2028	95,000	6,503	101,503
Total	\$ 8,760,000	\$ 2,177,470	\$ 10,937,470

\$2,850,000 of the outstanding general obligation bonds were issued by the City for construction of the new hospital that is reported as a component unit. Therefore this \$2,850,000 is not included as a component of invested in capital assets – net of related debt net asset.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT -- (Continued)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

Revenue bonds outstanding at June 30, 2010 are as follows:

Primary Government

Purpose	Interest Rates	Amounts
Electric Revenue Bonds	1.50 – 4.50%	\$ 2,365,000
Water Revenue Bonds	1.60 – 5.10%	1,955,000
Sewer Revenue Bonds	4.45 – 5.30%	610,000
Gas Revenue Bonds	1.75 – 4.80%	1,150,000
		<u>\$ 6,080,000</u>

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	3.50 – 5.60%	\$ 25,460,000
Hospital/Component Unit	5.5%	144,000
		<u>\$ 25,604,000</u>

The amount presented on the statement of Net Assets is shown net of Bond discounts of \$234,495.

Revenue bond debt service requirements to maturity are as follows:

Primary Government

Year Ending June 30,	Business-Type Activities					
	Electric Principal	Sewer Principal	Water Principal	Gas Principal	Interest	Total
2011	\$ 200,000	\$ 110,000	\$ 105,000	\$ 95,000	\$ 258,980	\$ 768,980
2012	200,000	115,000	110,000	100,000	239,386	764,386
2013	210,000	120,000	115,000	105,000	218,159	768,159
2014	220,000	130,000	120,000	105,000	195,048	770,048
2015	230,000	135,000	120,000	110,000	170,153	765,153
2016-2020	1,110,000	-	700,000	635,000	496,919	2,941,919
2021-2024	195,000	-	685,000	-	79,631	959,631
Total	<u>\$ 2,365,000</u>	<u>\$ 610,000</u>	<u>\$ 1,955,000</u>	<u>\$ 1,150,000</u>	<u>\$ 1,658,276</u>	<u>\$ 7,738,276</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT – (Continued)

Component Unit

Year Ending June 30,	Subordinate Revenue Capital Loan Note		Revenue Notes Payable		
	Principal	Interest	Principal	Interest	Total
2011	\$ 72,000	\$ -	\$ 620,000	\$ 1,306,689	\$ 1,998,689
2012	72,000	-	650,000	1,280,328	2,002,328
2013	-	-	675,000	1,252,443	1,927,443
2014	-	-	705,000	1,222,888	1,927,888
2015	-	-	735,000	1,191,573	1,926,573
2016-2019	-	-	4,230,000	5,413,484	9,643,484
2021-2025	-	-	5,405,000	4,229,521	9,634,521
2026-2030	-	-	7,110,000	2,525,858	9,635,858
2031-2033	-	-	5,330,000	458,640	5,788,640
Total	144,000	-	25,460,000	18,881,424	44,485,424
Less unamortized discount	-	-	(234,495)	-	(234,495)
Total	\$ 144,000	\$ -	\$ 25,225,505	\$ 18,881,424	\$ 44,250,929

Advance and Current Refundings

In October 2002, the City issued \$1,655,000 in sewer revenue bonds with interest rates ranging from 2.50% to 3.30% to refund the 1992 sewer revenue bonds with interest rates ranging from 3.80% to 6.10%. The City refunded the debt to reduce its total debt service payments over the next three years by \$28,053 and to obtain an economic gain of \$9,000.

In November 2002, the City issued \$940,000 in General Obligation Capital Loan Notes with interest rates ranging from 2.40% to 3.50% to refund the 1993 General Obligation Capital Loan Notes with interest rates ranging from 2.80% to 5.60%. The City refunded the debt to reduce its total debt service payments over the next six years by \$46,921 and to obtain an economic gain of \$1,400.

In July 2004, the City issued \$295,000 in general obligation capital loan notes with interest rates ranging from 2.20% to 3.45% to refund the 1995 general obligation capital loan notes with interest rates ranging from 4.80% to 6.10%. The City refunded the debt to reduce its total debt service payments for the next 6 years by approximately \$14,000 and obtain an economic gain of \$3,000.

In March 2010, the City issued \$2,425,000 in general obligation capital loan notes with interest rates ranging from 0.50% to 3.60% to purchase a new fire truck (\$300,000), to finance the construction of the downtown streetscape project (\$1,500,000) and \$625,000 to refund general obligation capital loan notes originally issued in 2002 and 2004.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT – (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 7,785,000	\$ 2,425,000	\$ 1,450,000	\$ 8,760,000	\$ 850,000
Compensated Absences	59,153	70,599	59,153	70,599	70,599
Other Post Employment Benefits	7,580	7,580	-	15,160	-
Governmental Activity Long-Term Liabilities	\$ 7,851,733	\$ 2,503,179	\$ 1,509,153	\$ 8,845,759	\$ 920,599
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 6,575,000	\$ -	\$ 495,000	\$ 6,080,000	\$ 510,000
Compensated Absences	50,250	60,829	50,250	60,829	16,529
Other Post Employment Benefits	4,264	4,264	-	8,528	-
Business-Type Activity Long-Term Liabilities	\$ 6,629,514	\$ 65,093	\$ 545,250	\$ 6,149,357	\$ 526,529
Component Unit:					
Bonds Payable:					
Revenue Bonds	\$26,271,000	\$ -	\$ 667,000	\$ 25,604,000	\$ 692,000

The City maintains a policy prohibiting the accumulation of compensated absences thus the total ending balance represents the amount expected to be paid within one year.

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	Downtown Streetscape	Total Transfers Out
Nonmajor Governmental	\$ -	\$ -	\$ -
General	-	10,000	10,000
Road Use Tax	400,000	-	400,000
Local Option Sales Tax	591,507	-	591,507
Water	23,000	-	23,000
Sewer	23,000	-	23,000
Electric	235,967	-	235,967
Total Transfers In	\$ 1,273,474	\$ 10,000	\$ 1,283,474

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10 percent of their annual covered salary and the City is required to contribute 6.35 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$129,736, \$112,069, and \$105,083, respectively, equal to the required contributions for each year.

In addition, the hospital component unit contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$985,438, \$941,174, and \$847,707, respectively, equal to the required contributions for each year.

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees. There are 35 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a premium only plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual required contribution	\$ 12,965
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	12,965
Contributions made	(1,121)
	<hr/>
Increase in net OPEB obligation	11,844
Net OPEB obligation beginning of year	11,844
	<hr/>
Net OPEB obligation end of year	\$ 23,688

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009, which was used for June 30, 2010 financials as well.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 and 2010, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 12,965	8.7%	\$ 11,844
June 30, 2009	\$ 12,965	8.7%	\$ 11,844

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$112,988, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$112,988. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,574,483 and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date using the Alternative Measurement Method (AMM) permitted under GASB Statement, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5% ultimate rate.

Mortality rates are from the RP 2000 Mortality Table. Non-group specific age-based turnover data from Scale T-2 of the Actuary's Pension Handbook were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Projected claim costs of the medical plan are \$10,999 per year for retirees less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11 - MAJOR CUSTOMER

During the year ended June 30, 2010, electric, water, sewer, and gas charges for services provided by the City to Advanced Brands, Inc. were \$1,734,799, \$158,309, \$162,242 and \$1,014,601, respectively. This represents 24%, 20%, 29% and 30%, respectively, of total charges for services.

Note 12 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Inventories	Debt Service	Endowments	Total
Special Revenue				
Road Use Tax	\$ 14,640	\$ -	\$ -	\$ 14,640
Debt Service	-	42,202	-	42,202
Permanent Fund				
Cemetery Perpetual Care	-	-	82,825	82,825
Total Reserves of Fund Balances	\$ 14,640	42,202	\$ 82,825	\$ 139,667

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 13 - DEFICIT FUND EQUITY

The City has two funds with a deficit equity balance at June 30, 2010. The City intends to finance this deficit from various resources including; road use tax funds, general funds, special assessments, and capital project debt financing.

The individual fund deficit was as follows:

Capital Project – Downtown Streetscape	\$ 160,237
Capital Project – Hawkeye Project	128,480

Note 14 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2009-2010 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

Note 15 - COMMITMENTS

There were no outstanding construction commitments at June 30, 2010.

Note 16 - INVESTMENT IN JOINT VENTURE

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 26.81 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

Summary financial information of the joint venture for the year ended December 31, 2009 follows:

	<u>Total</u>
Assets	<u>\$ 7,610,578</u>
Liabilities	<u>464,875</u>
Equity	<u>7,145,703</u>
	<u>7,610,578</u>
Revenues	<u>1,031,617</u>
Expenses	<u>1,148,786</u>
Net (Decrease) in Equity	<u>\$ (117,169)</u>

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 16 - INVESTMENT IN JOINT VENTURE – (Continued)

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 50 percent share of the venture with Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2010 is as follows:

	<u>Total</u>
Assets	<u>\$ 4,117,098</u>
Liabilities	<u>2,015,832</u>
Equity	<u>2,101,266</u>
	<u>4,117,098</u>
Revenues.....	<u>2,575,194</u>
Expenses	<u>2,107,246</u>
Net Increase in Equity.....	<u>\$ 467,948</u>

Note 17 - Prior Period Adjustment

The City is a 50% owner in Orange City Communications. Prior to 2010, the investment was accounted for on the cost method. The investment is now being reported on the equity method. This change resulted in an increase in investment of \$591,659 and equity in the water fund of the same amount as of June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL AND PROPRIETARY FUNDS - GAAP BASIS**

For the Year Ended June 30, 2010

	Governmental Fund Type Actual	Proprietary Funds Actual
Revenue:		
Taxes	\$ 2,150,832	\$ -
Special Assessments	32,393	-
Licenses and Permits	3,927	-
Intergovernmental	826,938	-
Charges for Services	432,831	11,696,027
Fines and Forfeits	28,798	-
Contributions from Property Owners	5,005	-
TIF Revenue	563,314	-
Local Option Sales Tax	596,463	-
Proceeds from Sale of Real Estate	161,850	-
Interest	7,586	15,464
Miscellaneous	164,507	105,173
Total Revenue	<u>4,974,444</u>	<u>11,816,664</u>
Expenditures:		
Public Safety	1,074,560	-
Public Works	1,128,217	-
Culture and Recreation	1,107,667	-
Community and Economic Development	345,945	-
General Government	601,476	-
Capital Projects	1,414,710	-
Debt Service	1,821,011	-
Business Type Activities	-	10,956,995
Total Expenditures	<u>7,493,586</u>	<u>10,956,995</u>
Excess (deficiency) of revenues over expenditures	(2,519,142)	859,669
Other financing sources (uses):		
Proceeds from Debt Financing	2,425,000	-
Proceeds from Sale of Assets	27,850	-
Interfund Transfers In	1,283,474	-
Interfund Transfers Out	(1,001,507)	(281,967)
Total other financing sources (uses)	<u>2,734,817</u>	<u>(281,967)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	215,675	577,702
Fund balances-beginning of year	1,773,307	19,558,859
Fund balances- end of year	<u>\$ 1,988,982</u>	<u>\$ 20,136,561</u>

Orange City Municipal Hospital	Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
		Original	Final	
\$ -	\$ 2,150,832	\$ 2,186,029	\$ 2,186,029	\$ (35,197)
-	32,393	46,000	46,000	(13,607)
-	3,927	4,175	4,175	(248)
-	826,938	725,290	753,290	73,648
34,640,635	46,769,493	50,498,150	52,003,150	(5,233,657)
-	28,798			28,798
-	5,005			5,005
-	563,314	544,500	544,500	18,814
-	596,463			596,463
-	161,850			161,850
173,538	196,588	271,000	271,000	(74,412)
127,216	396,896	142,200	202,200	194,696
<u>34,941,389</u>	<u>51,732,497</u>	<u>54,417,344</u>	<u>56,010,344</u>	<u>(4,277,847)</u>
-	1,074,560	742,629	1,100,029	25,469
-	1,128,217	996,836	1,080,836	(47,381)
-	1,107,667	1,106,090	1,138,090	30,423
-	345,945	585,617	585,617	239,672
-	601,476	578,192	618,192	16,716
-	1,414,710	599,359	1,399,359	(15,351)
-	1,821,011	1,002,150	1,642,150	(178,861)
35,093,382	46,050,377	48,360,292	52,860,292	6,809,915
<u>35,093,382</u>	<u>53,543,963</u>	<u>53,971,165</u>	<u>60,424,565</u>	<u>6,880,602</u>
(151,993)	(1,811,466)	446,179	(4,414,221)	2,602,755
-	2,425,000	1,438,000	2,865,000	(440,000)
-	27,850			27,850
-	1,283,474	1,488,875	1,488,875	(205,401)
-	(1,283,474)	(1,488,875)	(1,488,875)	205,401
<u>-</u>	<u>2,452,850</u>	<u>1,438,000</u>	<u>2,865,000</u>	<u>(412,150)</u>
(151,993)	641,384	1,884,179	(1,549,221)	2,190,605
24,145,770	45,477,936	45,838,734	45,838,734	(360,798)
<u>\$ 23,993,777</u>	<u>\$ 46,119,320</u>	<u>\$ 47,722,913</u>	<u>\$ 44,289,513</u>	<u>\$ 1,829,807</u>

CITY OF ORANGE CITY, IOWA
Notes to Required Supplementary Information
June 30, 2010

The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2010, the City held public hearings and amended the operating budget once. The amendment is as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/17/10 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 742,629	\$ 357,000	\$ 1,100,029
Public Works	996,836	84,000	1,080,836
Culture & Recreation	1,106,090	32,000	1,138,090
General Government	578,192	40,000	618,192
Capital Projects	599,359	800,000	1,399,359
Debt Service	1,002,150	640,000	1,642,150
Business Type/Enterprise	48,360,292	4,500,000	52,860,292

CITY OF ORANGE CITY, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
For the Year Ended June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	* \$ -	\$ 112,988	\$ 112,988	0.00%	\$ 1,574,483	7.2%
2010	July 1, 2009	\$ -	\$ 112,988	\$ 112,988	0.00%	\$ 1,574,483	7.2%

* Fiscal 2009 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 June 30, 2010

	Special Revenue	Capital Projects	
		Highway 10 Widening Project	Hawkeye Project
	TIF		
Assets			
Cash and Pooled Investments	\$ 381,186	\$ 52,504	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)		-	
Subsequent Year Taxes	245,000	-	-
Total Assets	<u>626,186</u>	<u>52,504</u>	<u>-</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	-	43,500
Due to Other Funds	26,010	-	84,980
Deferred Revenue - Subsequent Year Taxes	245,000	-	-
Total Liabilities	<u>271,010</u>	<u>-</u>	<u>128,480</u>
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Unreserved	355,176	52,504	(128,480)
Total Fund Balances (Deficits)	<u>355,176</u>	<u>52,504</u>	<u>(128,480)</u>
Total Liabilities and Equity	<u>\$ 626,186</u>	<u>\$ 52,504</u>	<u>\$ -</u>

Capital Projects		Permanet	
Airport Improvements		Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
\$	2,965	\$ -	\$ 436,655
	-	82,825	82,825
	-	-	245,000
	2,965	82,825	764,480
	-	-	43,500
	-	-	110,990
	-	-	245,000
	-	-	399,490
	-	82,825	82,825
	2,965	-	282,165
	2,965	82,825	364,990
\$	2,965	\$ 82,825	\$ 764,480

CITY OF ORANGE CITY, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Nonmajor Funds

For the Year Ended June 30, 2010

	Special Revenue	Capital Projects	
		Highway 10 Widening Project	Hawkeye Project
	TIF		
Revenue:			
TIF Revenue	\$ 299,488	\$ -	\$ -
Proceeds from Sale of Real Estate	161,850	-	-
Miscellaneous	-	-	-
Total Revenue	461,338	-	-
Expenditures:			
Capital Projects	34,000	-	128,480
Debt Service:			
Principal Retirement	125,000	-	-
Interest	30,096	-	-
Total Expenditures	189,096	-	128,480
Excess (deficiency) of revenues over expenditures	272,242	-	(128,480)
Net Change in Fund Balance	272,242	-	(128,480)
Fund balances (Deficits)-beginning of year	82,934	52,504	-
Fund balances (Deficits)- end of year	\$ 355,176	\$ 52,504	\$ (128,480)

Capital Projects	Permanent	
Airport Improvements	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
\$ -	\$ -	\$ 299,488
-	-	161,850
4,295	3,825	8,120
4,295	3,825	469,458
3,895	-	166,375
-	-	125,000
-	-	30,096
3,895	-	321,471
400	3,825	147,987
400	3,825	147,987
2,565	79,000	217,003
\$ 2,965	\$ 82,825	\$ 364,990

CITY OF ORANGE CITY, IOWA
STATEMENT OF NET ASSETS
Agency Fund
June 30, 2010

	Payroll Clearing
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 36,781
Total Assets	<u>36,781</u>
LIABILITIES	
Accounts Payable	36,781
Total Liabilities	<u>36,781</u>
NET ASSETS	
Unrestricted	-
Total Net Assets	<u>\$ -</u>

CITY OF ORANGE CITY, IOWA
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 23,600	\$ 1,690,039	\$ 1,676,858	\$ 36,781
Total Assets	23,600	1,690,039	1,676,858	36,781
<u>Liabilities</u>				
Accounts Payable	23,600	1,690,039	1,676,858	36,781
Total Liabilities	\$ 23,600	\$ 1,690,039	\$ 1,676,858	\$ 36,781

STATISTICAL SECTION

This part of the City of Orange City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	75
These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.	
Revenue Capacity	78
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	82
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Operating Information	92
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
Demographic and Economic Information	96
These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities							
Invested in capital assets, net of related debt	\$ 9,491,848	\$ 10,245,341	\$ 10,447,176	\$ 11,505,090	\$ 11,563,418	\$ 10,910,100	\$ 10,393,481
Restricted	95,709	104,647	103,957	109,467	96,313	93,701	1,469,772
Unrestricted	1,346,380	(3,044,617)	(2,496,606)	(2,131,149)	(1,054,152)	(1,186,561)	(2,184,050)
Total governmental activities net assets	\$ 10,933,937	\$ 7,305,371	\$ 8,054,527	\$ 9,483,408	\$ 10,605,579	\$ 9,817,240	\$ 9,679,203
Business-type activities							
Invested in capital assets, net of related debt	\$ 8,491,081	\$ 9,243,826	\$ 9,908,173	\$ 10,124,878	\$ 10,657,299	\$ 10,959,620	\$ 11,196,648
Restricted	-	2,828,947	1,098,131	1,183,353	1,212,682	1,103,948	1,106,148
Unrestricted	7,993,884	4,889,654	6,657,609	6,183,553	6,393,401	6,903,632	7,833,765
Total business-type activities net assets	\$ 16,484,965	\$ 16,962,427	\$ 17,663,913	\$ 17,491,784	\$ 18,263,382	\$ 18,967,200	\$ 20,136,561
Primary government							
Invested in capital assets, net of related debt	\$ 17,982,929	\$ 19,489,167	\$ 20,355,349	\$ 21,629,968	\$ 22,220,717	\$ 21,869,720	\$ 21,590,129
Restricted	95,709	2,933,594	1,202,088	1,292,820	1,308,995	1,197,649	2,575,920
Unrestricted	9,340,264	1,845,037	4,161,003	4,052,404	5,339,249	5,717,071	5,649,715
Total primary government net assets	\$ 27,418,902	\$ 24,267,798	\$ 25,718,440	\$ 26,975,192	\$ 28,868,961	\$ 28,784,440	\$ 29,815,764

Note: GASB 34 implemented in 2004 and therefore only 7 years presented.

City of Orange City
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
Public Safety	\$ 648,483	\$ 571,640	\$ 615,728	\$ 628,231	\$ 717,219	\$ 767,486	\$ 795,713
Public Works	1,489,282	1,503,075	1,554,367	1,726,845	1,922,753	1,842,509	1,121,275
Culture and Recreation	1,104,755	923,700	934,012	1,008,064	772,638	1,702,991	2,149,142
Community and Economic Development	88,712	3,510,694	66,129	348,231	338,867	418,230	475,593
General Government	436,509	442,852	702,510	427,357	469,266	451,379	543,010
Capital Projects	299,765	-	-	-	477,310	-	-
Debt Service	195,476	281,582	325,456	363,550	339,423	404,733	338,853
Total governmental activities expenses	<u>4,262,982</u>	<u>7,233,543</u>	<u>4,198,202</u>	<u>4,502,278</u>	<u>5,037,476</u>	<u>5,587,328</u>	<u>5,423,586</u>
Business-Type Activities:							
Electric	3,969,124	4,360,760	4,649,895	5,098,083	5,496,756	6,170,727	6,582,661
Water	591,156	673,470	715,885	725,194	754,465	762,179	845,775
Sewer	456,873	478,203	472,866	466,201	490,251	477,046	533,308
Gas	2,887,306	3,257,135	4,501,118	4,106,127	4,360,806	3,754,752	2,995,251
Total business-type activities expenses	<u>7,904,459</u>	<u>8,769,568</u>	<u>10,339,764</u>	<u>10,395,605</u>	<u>11,102,278</u>	<u>11,164,704</u>	<u>10,956,995</u>
Total primary government expenses	<u>12,167,441</u>	<u>16,003,111</u>	<u>14,537,966</u>	<u>14,897,883</u>	<u>16,139,754</u>	<u>16,752,032</u>	<u>16,380,581</u>
Program Revenues							
Governmental activities:							
Charges for services:							
Public Safety	111,832	120,206	117,314	27,321	-	10,934	22,835
Public Works	154,969	202,243	321,340	204,800	203,127	224,791	226,434
Health and Social Services	4,283	-	-	-	-	-	-
Culture and Recreation	104,938	108,247	118,718	204,205	154,678	202,769	198,059
Community & Economic Development			25,635	25,511	17,086	19,751	58,036
General Government	64,542	79,788	17,416	12,002	8,549	30,341	12,809
Capital Projects		64,195	-	-	-	-	-
Operating grants and contributions	53,302	136,151	68,957	682,784	619,533	1,129,518	711,108
Capital grants and contributions	107,570	-	353,962	187,158	853,361	361,549	115,830
Total governmental activities program revenues	<u>601,436</u>	<u>710,830</u>	<u>1,023,342</u>	<u>1,343,781</u>	<u>1,856,334</u>	<u>1,979,653</u>	<u>1,345,111</u>
Business-type activities:							
Charges for services:							
Electric	4,536,237	4,635,959	5,151,705	5,459,146	6,010,908	6,642,889	7,076,337
Water	704,566	773,316	865,743	841,357	805,151	818,193	785,796
Sewer	721,442	533,921	556,229	544,123	535,191	629,144	546,929
Gas	3,076,476	3,332,471	4,629,777	4,224,868	4,559,301	3,985,313	3,286,965
Total business-type activities program revenues	<u>9,038,721</u>	<u>9,275,667</u>	<u>11,203,454</u>	<u>11,069,494</u>	<u>11,910,551</u>	<u>12,075,539</u>	<u>11,696,027</u>
Total primary government program revenues	<u>9,640,157</u>	<u>9,986,497</u>	<u>12,226,796</u>	<u>12,413,275</u>	<u>13,766,885</u>	<u>14,055,192</u>	<u>13,041,138</u>
Net (expense)/revenue							
Governmental activities	(3,661,546)	(6,522,713)	(3,174,860)	(3,158,497)	(3,181,142)	(3,607,675)	(4,078,475)
Business-type activities	1,134,262	506,099	863,690	673,889	808,273	910,835	739,032
Total primary government net expense	<u>\$ (2,527,284)</u>	<u>\$ (6,016,614)</u>	<u>\$ (2,311,170)</u>	<u>\$ (2,484,608)</u>	<u>\$ (2,372,869)</u>	<u>\$ (2,696,840)</u>	<u>\$ (3,339,443)</u>

City of Orange City
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
						2010
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 1,598,367	\$ 1,617,548	\$ 2,264,411	\$ 2,460,542	\$ 2,511,016	\$ 2,671,193
Local option sales tax	420,939	601,573	527,909	558,312	607,761	642,603
Unrestricted grants and contributions	25,219	-	-	-	-	-
Investment Earnings	19,059	36,154	41,833	102,119	93,735	28,217
General Intergovernmental Revenue	518,541	467,121	467,540	-	-	-
Gain on Sale of Assets	-	-	-	38,640	-	3,000
Miscellaneous	156,570	46,997	228,319	106,100	926,494	189,587
Transfers	199,663	220,926	326,004	1,321,665	243,448	319,120
Total governmental activities	2,938,358	2,990,319	3,856,016	4,587,378	4,382,454	3,853,720
						3,940,438
Business-type activities						
Investment Earnings	84,953	82,711	126,627	154,986	172,553	63,023
Miscellaneous	76,445	81,406	37,173	95,661	34,220	49,080
Transfers	(199,663)	(220,926)	(326,004)	(1,321,665)	(243,448)	(319,120)
Total business-type activities	(38,265)	(56,809)	(162,204)	(1,071,018)	(36,675)	(207,017)
Total primary government	2,900,093	2,933,510	3,693,812	3,516,360	4,345,779	3,646,703
						3,779,108
Change in Net Assets						
Governmental activities	(723,188)	(3,532,394)	681,156	1,428,881	1,201,312	246,045
Business-type activities	1,095,997	449,290	701,486	(397,129)	771,598	703,818
Total primary government	\$ 372,809	\$ (3,083,104)	\$ 1,382,642	\$ 1,031,752	\$ 1,972,910	\$ 949,863
						\$ 439,665

Note: GASB 34 implemented in 2004 and therefore only 7 years presented.

City of Orange City
Governmental Activities Tax Revenues By Source
Last Seven Fiscal Years
(accrual basis of accounting)

<u>Fiscal</u> <u>Year</u>		<u>Property</u> <u>Tax</u>		<u>Sales</u> <u>Tax</u>		<u>Motel/Hotel</u> <u>Tax</u>		<u>Total</u>
2004	\$	1,598,367	\$	420,939	\$	-	\$	2,019,306
2005		1,617,548		601,573		-		2,219,121
2006		2,264,411		490,917		36,992 ¹		2,792,320
2007		2,460,542		523,641		34,671		3,018,854
2008		2,511,016		574,054		33,707		3,118,777
2009		2,681,252		610,329		32,274		3,323,855
2010		2,714,146		567,477		28,986		3,310,609

¹ First year of tax

Note: GASB 34 implemented in 2004 and therefore only 7 years presented.

City of Orange City
Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund							
Unreserved	\$ 872,926	\$ 1,099,175	\$ 1,098,999	\$ 1,308,413	\$ 1,147,069	\$ 1,018,865	\$ 726,767
Total General Fund	<u>\$ 872,926</u>	<u>\$ 1,099,175</u>	<u>\$ 1,098,999</u>	<u>\$ 1,308,413</u>	<u>\$ 1,147,069</u>	<u>\$ 1,018,865</u>	<u>\$ 726,767</u>
All other governmental funds							
Reserved	\$ 110,745	\$ 119,480	\$ 121,990	\$ 125,079	\$ 140,039	\$ 142,036	\$ 139,667
Unreserved, reported in:							
Special revenue funds	762,553	703,759	864,920	1,045,140	1,177,108	993,887	1,355,796
Capital project funds	<u>(592,550)</u>	<u>(1,520,611)</u>	<u>(1,252,923)</u>	<u>16,610</u>	<u>(330,111)</u>	<u>(381,481)</u>	<u>(233,248)</u>
Total all other governmental funds	<u>\$ 280,748</u>	<u>\$ (697,372)</u>	<u>\$ (266,013)</u>	<u>\$ 1,186,829</u>	<u>\$ 987,036</u>	<u>\$ 754,442</u>	<u>\$ 1,262,215</u>

Note: GASB 34 implemented in 2004 and therefore only 7 years presented.

City of Orange City
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 1,458,609	\$ 1,609,486	\$ 1,860,705	\$ 1,970,930
Special Assessments	109,077	64,194	-	-
Licenses and permits	4,295	4,570	3,834	3,653
Intergovernmental	714,322	696,446	955,020	776,619
Charges for services	266,871	322,652	296,673	396,031
Fines and Forfeits	15,218	28,854	25,988	24,537
Contributions from Property Owners	25,219	34,793	21,084	12,965
IF Revenue	139,758	163,965	437,610	487,942
Local Options Sales Tax	420,938	437,608	527,909	558,312
Investment Earnings	19,059	36,155	41,834	102,119
Miscellaneous	162,602	78,438	416,602	236,076
Total revenues	<u>\$ 3,335,968</u>	<u>\$ 3,477,161</u>	<u>\$ 4,587,259</u>	<u>\$ 4,569,184</u>
Expenditures				
Public safety	613,755	536,420	609,050	618,705
Public works	632,850	616,102	777,744	776,065
Culture and recreation	1,021,654	798,874	819,792	906,654
Community and economic development	88,712	57,082	63,075	349,564
General government	430,926	413,772	713,236	428,095
Capital projects	716,091	5,048,122	1,867,298	1,935,310
Debt service				
Principal	460,000	780,000	695,000	780,000
Interest	193,759	266,210	393,084	358,240
Total expenditures	<u>4,157,747</u>	<u>8,516,582</u>	<u>5,938,279</u>	<u>6,152,633</u>
Excess of revenues				
over (under) expenditures	(821,779)	(5,039,421)	(1,351,020)	(1,583,449)
Other financing sources (uses)				
Issuance of Debt	705,000	4,095,000	1,385,000	450,000
Proceeds From Sale of Fixed Assets	-	-	-	38,640
Transfers In	1,130,113	1,133,175	1,275,555	2,267,414
Transfers Out	(930,450)	(912,249)	(949,551)	(945,749)
Total other financing sources (uses)	<u>904,663</u>	<u>4,315,926</u>	<u>1,711,004</u>	<u>1,810,305</u>
Net change in fund balances	<u>\$ 82,884</u>	<u>\$ (723,495)</u>	<u>\$ 359,984</u>	<u>\$ 226,856</u>
Debt Service as a percentage of noncapital expenditures	15.7%	12.3%	18.0%	18.4%

Note: GASB 34 implemented in 2004 therefore only 7 years presented.

City of Orange City
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

Fiscal Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,030,435	\$ 2,114,229	\$ 2,150,832
-	-	32,393
5,120	3,859	3,927
1,857,893	1,491,067	826,938
381,090	434,216	432,831
31,304	25,239	28,798
9,686	6,788	5,005
496,167	567,023	563,314
607,761	642,603	596,463
93,737	29,767	7,586
499,514	209,521	326,357
<u>\$ 6,012,707</u>	<u>\$ 5,524,312</u>	<u>\$ 4,974,444</u>
896,293	882,662	1,074,560
937,386	1,055,055	1,128,842
1,194,084	1,492,116	1,107,667
337,597	418,465	345,945
453,942	428,584	601,476
1,799,431	718,347	1,414,710
870,000	825,000	1,450,000
352,962	384,001	371,011
<u>6,841,695</u>	<u>6,204,230</u>	<u>7,494,211</u>
(828,988)	(679,918)	(2,519,767)
1,650,000	-	2,425,000
12,224	-	27,850
1,276,556	2,085,762	1,273,474
<u>(1,033,108)</u>	<u>(1,766,642)</u>	<u>(991,507)</u>
<u>1,905,672</u>	<u>319,120</u>	<u>2,734,817</u>
<u>\$ 1,076,684</u>	<u>\$ (360,798)</u>	<u>\$ 215,050</u>
26.5%	24.2%	30.0%

City of Orange City
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Utilities		Total		Assessed Value as a Percentage of Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2001	\$ 106,177,613	\$ 167,587,570	\$ 386,645	\$ 386,645	\$ 106,564,258	\$ 167,974,215	63.44%
2002	111,996,353	172,401,657	345,740	345,740	112,342,093	172,747,397	65.03%
2003	114,153,308	187,368,989	405,828	405,828	114,559,136	187,774,817	61.01%
2004	121,880,002	197,777,207	457,062	457,062	122,337,064	198,234,269	61.71%
2005	133,223,718	213,808,393	446,521	446,521	133,670,239	214,254,914	62.39%
2006	135,062,294	218,543,204	2,881,675	2,881,675	137,943,969	221,424,879	62.30%
2007	144,958,608	239,180,184	4,698,999	4,698,999	149,657,607	243,879,183	61.37%
2008	150,547,386	253,255,181	1,423,254	1,423,254	151,970,640	254,678,435	59.67%
2009	160,105,919	277,172,987	1,576,622	1,576,622	161,682,541	278,749,609	58.00%
2010	170,291,914	285,044,596	1,622,383	1,622,383	171,914,297	286,666,979	59.97%

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

City of Orange City
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Orange City			Sioux County			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	MOC-FV School District				
							Operating Millage	Debt Service Millage	Total School Millage	Area Vocational School	
2001	7.6257	3.9763	11.6019	3.53287	-	3.53287	10.60836	1.78347	12.39183	0.52226	28.0489
2002	7.7004	4.0786	11.7790	3.51674	-	3.51674	10.45557	1.69767	12.15324	0.53380	27.9828
2003	7.6933	4.3529	12.0462	3.51512	0.42170	3.93682	10.99933	1.60667	12.60600	0.54774	29.1368
2004	7.7702	4.5524	12.3226	4.41586	0.23157	4.64743	11.26700	1.51623	12.78323	0.65433	30.4076
2005	8.1585	5.0902	13.2486	5.06682	-	5.06682	12.40268	1.68975	14.09243	0.58447	32.9924
2006	7.7024	7.0606	14.7630	5.94423	0.20000	6.14423	12.42950	0.35027	12.77977	0.58365	34.2707
2007	7.6510	6.8721	14.5231	5.89492	0.23671	6.13163	12.34459	0.36235	12.70694	0.66202	34.0237
2008	7.7150	6.8502	14.5652	5.62931	0.40462	6.03393	12.71788	-	12.71788	0.67287	33.9899
2009	7.8009	6.5598	14.3607	5.19800	0.40840	5.60640	11.99370	-	11.99370	0.68751	32.6483
2010	7.8840	5.8294	13.7134	5.07305	0.44328	5.51633	11.99250	-	11.99250	0.65473	31.8770

Taxes due July 1

Taxes delinquent first half - October 1; second half - April 1.

Penalties for delinquency: 1.5 percent per month.

Discount allowed: none

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Sioux County and distributed to the City of Orange City in proportion of its levy to all levies.

Tax sale date: first Monday in June.

Source: The tax rates are obtained from the Sioux County Courthouse - Auditor's Office.

City of Orange City
Principal Property Taxpayers
June 30, 2010

	2010			2000		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value</u>
<u>Taxpayer</u>						
Staples Inc (Welsh)	\$ 9,268,450	1	3.2%	\$ 11,678,620	1	7.2%
Vogel Enterprises Inc.	7,969,564	2	2.8%	4,892,930	2	3.0%
Advanced Brands LLC	5,319,160	3	1.9%	-		0.0%
Pizza Ranch Headquarters	2,258,110	4	0.8%	-		0.0%
O CDC, Inc.	1,465,800	8	0.6%	-		0.0%
Krull Ltd.	1,685,170	5	0.6%	-		0.0%
Iowa State Bank Orange City	1,515,870	7	0.5%	-		0.0%
Midwest Farmers Coop	1,635,140	6	0.5%	852,382	4	0.5%
Northwest Rural Electric Coop	1,339,499	9	0.5%	-		0.0%
Dutch Colony Inn	1,335,350	10	0.5%	-		0.0%
Frontier Telephone				386,645	9	0.2%
Kepp Realty				532,232	7	0.3%
Kraai Furniture				494,803	8	0.3%
Northwestern Bank Orange City				639,017	5	0.4%
Orange Colony Investors				464,889	6	0.3%
Excel Specialty Products	-			2,637,706	3	1.6%
Totals	\$ 33,792,113		11.8%	\$ 22,579,224		14.0%

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

City of Orange City
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended <u>6/30</u>	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2001	\$ 1,255,218	\$ 1,289,639	102.74%	-	\$ 1,289,639	102.74%
2002	1,360,160	1,428,917	105.06%	-	1,428,917	105.06%
2003	1,438,760	1,467,196	101.98%	-	1,467,196	101.98%
2004	1,578,960	1,531,410	96.99%	-	1,531,410	96.99%
2005	1,574,394	1,609,486	102.23%	-	1,609,486	102.23%
2006	1,858,206	1,860,705	100.13%	-	1,860,705	100.13%
2007	1,964,663	1,970,930	100.32%	-	1,970,930	100.32%
2008	2,024,653	2,030,435	100.29%	-	2,030,435	100.29%
2009	2,099,098	2,114,229	100.72%	-	2,114,229	100.72%
2010	2,127,308	2,150,832	101.11%	-	2,150,832	101.11%

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities					Total Primary Government	% of Personal Income	Per Capita
	General Obligation Bonds	Electric Bonds	Water Bonds	Sewer Bonds	Gas Bonds					
2000	\$ 2,915,000	\$ 860,000	\$ 1,085,000	\$ 905,000	\$ -	\$	\$ 5,765,000	\$		1,167
2001	2,905,000	585,000	985,000	775,000	-		5,250,000			939
2002	3,105,000	300,000	880,000	1,640,000	-		5,925,000			1,060
2003	3,910,000	-	775,000	1,500,000	-		6,185,000			1,107
2004	4,155,000	2,120,000	2,810,000	1,340,000	1,660,000		12,085,000			2,162
2005	7,470,000	2,005,000	2,670,000	1,170,000	1,580,000		14,895,000		494.14%	2,665
2006	8,160,000	1,885,000	2,525,000	1,000,000	1,500,000		15,070,000		499.95%	2,696
2007	7,830,000	2,865,000	2,375,000	910,000	1,415,000		15,395,000		510.73%	2,755
2008	8,610,000	2,745,000	2,220,000	815,000	1,330,000		15,720,000		521.51%	2,813
2009	7,785,000	2,560,000	2,060,000	715,000	1,240,000		14,360,000		476.40%	2,569
2010	8,760,000	2,365,000	1,955,000	610,000	1,150,000		14,840,000		492.32%	2,655

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See the Schedule of Demographic and Economic Statistics on page 96 for personal income and population data.

City of Orange City
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2001	\$ 2,905,000	\$ 52,136	\$ 2,852,864	1.70	\$ 510.44
2002	3,105,000	69,792	3,035,208	1.76	543.07
2003	3,910,000	86,413	3,823,587	2.04	684.13
2004	4,155,000	51,637	4,103,363	2.07	734.19
2005	7,470,000	34,407	7,435,593	3.47	1,330.40
2006	8,160,000	21,201	8,138,799	3.72	1,456.22
2007	7,830,000	24,606	7,805,394	3.26	1,396.56
2008	8,610,000	47,569	8,562,431	3.31	1,458.18
2009	7,785,000	49,021	7,735,979	2.80	1,384.14
2010	8,760,000	42,202	8,717,798	3.07	1,559.81

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Population data can be found in the Schedule of Demographic and Economic Statistics.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

City of Orange City
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: School District	\$ 203,409	45.89%	\$ 93,344
Debt repaid with property taxes; Sioux County	8,960,000	14.63%	1,310,848
Subtotal, overlapping debt			<u>\$ 1,404,192</u>
City of Orange City direct debt			<u>8,760,000</u>
Total direct and overlapping debt			<u><u>\$ 10,164,192</u></u>

Sources: Debt outstanding data provided by the school and Sioux County Auditor Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

[illegible]

Under state finance law, the City of Orange City's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt, subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

change, unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Electric Charges and Other	Less:		Net Available Revenue	Debt Service		Coverage
		Operating Expenses			Principal	Interest	
2001	\$ 3,876,350	\$ 3,032,551	\$	843,799	\$ 275,000	\$ 31,149	2.76
2002	4,015,734	3,217,049		798,685	285,000	21,933	2.60
2003	4,331,927	3,387,989		943,938	300,000	6,360	3.08
2004	4,610,432	3,548,978		1,061,454	0	54,302	19.55
2005	4,664,357	3,673,367		990,990	115,000	71,539	5.31
2006	5,198,997	4,119,213		1,079,784	120,000	69,598	5.70
2007	5,526,151	4,458,342		1,067,809	120,000	67,228	5.70
2008	6,099,521	4,924,582		1,174,939	120,000	113,070	5.04
2009	6,694,451	5,431,989		1,262,462	185,000	109,828	4.28
2010	7,109,106	5,855,120		1,253,986	195,000	103,259	4.20

Fiscal Year	Water Charges and Other	Less:		Net Available Revenue	Debt Service		Coverage
		Operating Expenses			Principal	Interest	
2001	644,716	391,896		252,820	100,000	49,271	1.69
2002	669,022	379,238		289,784	105,000	44,129	1.94
2003	698,186	367,933		330,253	105,000	39,129	2.29
2004	739,503	344,796		394,707	115,000	18,655	2.95
2005	791,769	365,148		426,621	140,000	106,136	1.73
2006	899,840	403,089		496,751	145,000	103,638	2.00
2007	879,053	412,036		467,017	150,000	100,573	1.86
2008	836,792	436,143		400,649	155,000	98,444	1.58
2009	849,428	434,916		414,512	160,000	93,700	1.63
2010	848,050	472,818		375,232	105,000	90,147	1.92

Note: Operating Expenses do not include depreciation expense

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2001	\$ 534,232	\$ 193,088	\$ 341,144	\$ 130,000	\$ 51,890	1.88
2002	639,941	201,980	437,961	135,000	87,819	1.97
2003	644,207	238,419	405,788	155,000	81,103	1.72
2004	768,692	224,702	543,990	160,000	64,438	2.42
2005	564,290	247,456	316,834	170,000	60,038	1.38
2006	593,671	253,267	340,404	170,000	54,853	1.51
2007	578,003	268,559	309,444	90,000	49,243	2.22
2008	566,841	272,846	293,995	95,000	46,120	2.08
2009	653,684	272,149	381,535	100,000	41,567	2.70
2010	570,344	307,400	262,944	105,000	36,646	1.86

<u>Fiscal Year</u>	<u>Gas Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	2,432,713	2,180,805	251,908	-	46,133	5.46
2004	3,079,659	2,746,305	333,354	115,000	84,730	1.67
2005	3,337,962	3,124,186	213,776	80,000	71,455	1.41
2006	4,637,573	4,368,962	268,611	80,000	61,898	1.89
2007	4,241,273	3,974,228	267,045	85,000	60,138	1.84
2008	4,579,950	4,231,917	348,033	85,000	62,632	2.36
2009	3,990,079	3,628,756	361,323	90,000	57,548	2.45
2010	3,289,164	2,869,709	419,455	90,000	54,598	2.90

Note: Operating Expenses do not include depreciation expense

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Principal Employers
June 30, 2010

	2010			2006		
	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>
						<u>Percentage of Total City Employment</u>
	Advance Brands	475	2	8.09%	600	1
	Staples Inc.	450	3	7.66%	350	4
	Diamond Vogel Paints	350	4	5.96%	375	3
	EZ Liner Industrial	40	9	0.68%	50	8
	Med-Tec Inc.	75	6	1.28%	100	6
	Northwestern College	180	5	3.07%	187	5
	Orange City Health System	500	1	8.51%	460	2
	Revival Animal Health	60	8	1.02%	60	7
	Tec Industries/Quatro	69	7	1.18%	40	9
	Silent Drive	30	10	0.51%	30	10
	Total	2,229		37.96%	2,252	
						40.29%

Note: Source for this data was obtained from Iowa Workforce Development

Note: Information not available prior to 2006

City of Orange City
Full-Time Equilvalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	9	9	9	9	9	9	9	9	9	9
Public Safety										
Police Officers	7	7	7	7	7	7	7	7	7	7
Highways and streets	3	3	3	3	3	3	3	3	3	3
Culture and recreation	2	2	2	2	2	3	3	3	3	3
Library	5	5	5	5	5	5	5	5	5	5
Electric	5	5	5	5	5	5	5	5	5	5
Water	2	2	2	2	2	2	2	2	2	2
Sewer	1	1	1	1	1	1	1	1	1	1
Gas	2	2	2	2	2	2	2	2	2	2
Total	36	36	36	36	36	37	37	37	37	37

Sources: Various city departments.

City of Orange City
Operating Indicators by Function/Program
June 30, 2010

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government					
Zoning Permits Issued	106	66	97	79	86
Police					
Physical Arrests	96	102	126	93	102
Parking Violations	246	239	310	240	252
Traffic Violations	373	355	384	284	291
Fire					
Emergency Responses	48	51	56	49	61
Fires Extinguished	13	8	7	6	4
Refuse Collection					
Refuse collected (tons per day)	8	8	8	9	10
Recyclables collected (tons per day)	1	1	1	1	1
Parks & Recreation					
Pool Passes Issued (Budget Pass)	205	130	114	113	122
Pool Passes Issued (Individual Pass)	88	73	75	53	78
Pool Passes Issued (Family Pass)	250	276	302	74	224
Pool Passes Issued (Senior Pass)	11	10	10	4	76
Library					
Volumes in collection	63,895	63,905	63,905	63,905	63,905
Total volumes borrowed	228,650	226,250	226,250	226,250	226,250
Water					
New connections	28	20	8	5	9
Water main breaks	2	3	2	1	3
Average daily consumption (thousands of gallons)	1,005	953	916	887	983
Peak daily consumption (thousands of gallons)	1,900	2,028	2,028	1,700	1,500
Wastewater					
Average daily sewage treatment (thousands of gallons)	1,000	950	913	884	1,149

Sources: Various city departments.

Note: GASB 44 implemented in 2006 and therefore only 5 years presented.

City of Orange City
Capital Asset Statistics by Function/Program
Last Five Fiscal Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police					
Stations	1	1	1	1	1
Patrol Units	4	4	4	4	4
Fire Station	1	1	1	1	1
Other Public Works					
Streets (miles)	46	47	47	47	47
Streetlights	958	961	985	889	927
Traffic Signals	2	2	2	2	2
Parks and recreation					
Aceage	223	223	230	230	230
Playgrounds	4	4	4	5	5
Baseball/softball diamonds	2	2	2	2	2
Soccer/football fields	4	4	4	4	4
Community Center	1	1	1	1	1
Water					
Water Mains (miles)	45	47	47	47	47
Fire Hydrants	275	275	282	282	282
Storage capacity (thousands of gallons)	950	950	950	950	950
Wastewater					
Sanitary Sewers (miles)	41	41	41	41	41
Storm Sewer (miles)	19	19	19	19	19
Treatment capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000

Sources: Various city departments

Note: GASB 44 implemented in 2006 and therefore only 5 years presented.

**City of Orange City
Demographic and Economic Statistics**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	5,589	30,143	17,413	27.9	13	999	2.6%
2006	5,589	30,143	17,413	27.9	13	999	2.6%
2007	5,589	30,143	17,413	27.9	13	999	2.6%
2008	5,872	30,143	17,413	27.9	13	1950	2.3%
2009	5,872	30,143	22,142	28.5	16	1940	3.9%
2010	5,872	30,143	22,142	28.5	16	1940	3.9%

Sources: Population, median age, and educational level information provided by the United States Census Bureau. School enrollment data provided by the Orange City school districts.

Note: Personal Income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Note: GASB 44 implemented in 2005 and therefore only 6 years presented.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2010, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated December 13, 2010. We did not audit the financial statements of the Orange City Municipal Hospital, a discretely presented component unit, which statements reflect total assets of \$53,999,479 and total operating revenues of \$34,768,498 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for the Orange City Municipal Hospital, was based solely on the report of the other auditors. The report on the Orange City Municipal Golf Association, a discretely presented component unit was disclaimed due to the inability to satisfy ourselves as to the completeness of revenue reported on those financial statements. Except as discussed above, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detects and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and to be a material weakness.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit the City's response and, accordingly, we express no opinion on it.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Orange City, Iowa, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

Le Mars, Iowa
December 13, 2010

CITY OF ORANGE CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2010

Part I: Summary of the Independent Auditors' Results

- (a) A qualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.
There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-10 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-10 - Certified Budget – City expenditures during the year ended June 30, 2010, exceeded amounts budgeted in the public works, capital project, and debt service functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-10 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF ORANGE CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2010

Part III: Other Findings Related to Required Statutory Reporting - (Continued)

- III-C-10 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-D-10 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- III-E-10 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-F-10 Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-G-10 Business Transactions -- Business transactions between the City and city officials are detailed as follows:

Name, Title and Business Connection	Transaction/ Description	Amount
Teresa Jasper, part-time employee of the City Owner of Country Colors	Retailer	\$ 10,716
Bruce Muilenburg, City Council Member Owner of De Koffiehoek & Bristro	Retailer	\$ 924

The transaction with Bruce Muilenburg does not represent a conflict of interest. The transaction with Teresa Jasper may represent a conflict of interest due to the amount of the transactions. The City should consult legal council for determination.

- III-H-10 Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.